Tennessee

Comprehensive Annual Financial Report
June 30, 1989

Scenic Clinch River in Upper East Tennessee
Photographed by Jed DeKalb
State of Tennessee, Media Production Services

Tennessee Comprehensive Annual Financial Report For the Year Ended June 30, 1989

NED McWHERTER , Governor

DEPARTMENT OF AUDIT
WILLIAM R. SNODGRASS, Comptroller of the Treasury
Division of State Audit
ARTHUR A. HAYES, JR.
Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
DAVID L. MANNING, Commissioner
Division of Accounts
DANNY L. CREEKMORE, Chief of Accounts

Tennessee Department of Finance and Administration, Authorization No. 317086. December, 1989, 1100 copies. This public document was promulgated at a cost of $5.75 per copy.

STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1989

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INTRODUCTORY SECTION

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5175

DAVID L. MANNING
COMMISSIONER

December 18, 1989

The Honorable Ned McWherter
Governor of the State of Tennessee

The Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 1989, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the state. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the state. All disclosures necessary to enable the reader to gain an understanding of the state's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the state's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the state. The state provides a full range of services. These services include education, health and social services, transportation, law, justice, public safety, recreation and resources development, public improvements and general administrative services.

ECONOMIC CONDITION AND OUTLOOK

The state's economic condition has improved substantially over the last six years. Investments announced in new and expanding businesses exceeded one billion dollars in each of those years. The $2.78 billion in announced capital investments in 1988 was exceeded only by the $4.53 billion in 1985 when Saturn Corporation chose Tennessee for its plant site. This growth has created 15,800 new jobs in this year alone, and has had a positive effect on employment and the state's economy. The state unemployment rate, at 4.1%, is the lowest in the last sixteen years, matching the national average. The financial impact of these events is presented later in this letter.

Based on current projections, the state's growth is expected to exceed the national average into the next century. While having a positive impact, this growth also presents significant challenges for the state. If the present high level of services is to be maintained and an ambitious program for major improvements in the educational system is to be implemented, the state, in the future, will need to explore new methods of obtaining financial resources.

MAJOR INITIATIVES

For the Year. The state continued several major initiatives needed to meet citizens' needs for services, conform with applicable federal and state standards, and encourage economic growth. Programs for highway construction, industrial recruitment, waste reduction and management, education improvement and other crucial issues have made possible the substantial improvement in the economic condition and outlook of the state referred to above. Some of these programs are described below.

The state has made extensive additions and improvements to the highway system, and will maintain this effort to meet current and future needs. During the year, a major emphasis of bridge inspection and repair was begun. Gasoline tax revenues, which have increased significantly in the last four years, are being used to finance these projects.

During the year, the state took steps to capitalize on the resurgence of industrial activity. In addition to state-wide industry recruiting efforts, $50 million was provided for grants or loans to local governments and businesses for economic development programs. This program is designed to encourage economic growth in every county of the state. These funds may be used for infrastructure improvements and for job specific training to promote job creation and/or job retention. Funds are restricted to situations where there is a commitment by certain private sector businesses to locate or expand in the state and create jobs for Tennesseans.

The state continued to focus on problems within the overtaxed penal system. Prison populations have risen considerably due to increased crime rates and mandatory sentencing laws, leading to overcrowding. Current projections point to an increase in inmates within the next few years. Construction of three major facilities was begun in 1988, with one now completed and occupied. In the current year, one additional facility is now under construction and two are in the design stage. Bonded debt and general government revenues are being used to finance this construction.

For the Future. One of the issues identified as crucial to Tennessee's economic growth is education improvement, and a major effort to accomplish this goal is in the planning stage.

FINANCIAL INFORMATION

In developing and modifying the state's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. I believe that the state's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgeting Controls. In addition, the state maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the legislature. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balance at June 30, 1989.

General Governmental Functions. General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects funds. Revenues for general governmental functions totaled $6.2 billion in 1989, an all-time high and an increase of 7% over 1988. Taxes represented 60% of general revenues, unchanged from last year. The amount of revenues from various sources and the changes from last year are shown below (expressed in thousands).

Revenue Source	Amount	Percent of Total	Increase from 1988	Percent of Increase
Taxes	$3,715,112	60.3%	$201,285	5.7%
Licenses, fines, fees and permits	87,268	1.4	8,553	10.9
Interest on investments	74,535	1.2	168	.2
Federal	1,888,096	30.7	141,273	8.1
Departmental Services	351,895	5.7	19,524	5.9
Other	40,885	.7	6,874	20.2
	$6,157,791	100%	$377,677	

The most significant increase in actual continued revenue sources was derived from taxes. Tax revenues are a combination of fifteen distinct resources, with sales tax accounting for 57.2 percent of the total. None of the other tax sources individually account for as much as 10 percent of the total. The tax revenue increase was primarily the result of heightened business activity.

The federal revenue increase resulted from federal participation in health and social services, education, and transportation, all of which incurred substantial increases in expenditures during the year.

Expenditures for general governmental purposes totaled $5.6 billion in 1989, also a record, and an 9% increase over the previous year. Changes in expenditures by function from 1988 levels are presented in the following tabulation (expressed in thousands).

Function	Amount	Percent of Total	Increase (Decrease) from 1988	Percent of Increase (Decrease)
General government	$ 216,309	3.9%	$ 13,504	6.7%
Education	1,534,148	27.5	86,857	6.0
Health and social services	2,259,404	40.5	219,081	10.7
Law, justice and public safety	423,754	7.6	32,370	8.3
Recreation and resources development	159,602	2.8	8,368	5.5
Regulation of business and professions	24,181	.4	1,084	4.7
Transportation	728,884	13.1	39,619	5.7
Debt service	98,097	1.8	(6,085)	(5.8)
Capital outlay	134,997	2.4	57,894	75.1
	$5,579,976	100%	$452,692	

The significant increase in capital outlay resulted principally from the construction of new penal facilities previously addressed in this letter. Other expenditure variances from the prior year that warrant discussion include health and social services and debt service. Cost of Medicaid increased some $63 million dollars. No general obligation bonds were issued in 1989, resulting in a decrease in debt service expenditures.

General Fund Balance. The fund balance of the general fund increased by 91.7 percent in 1989. During fiscal year 1989, the state changed its method of accounting for taxes and licenses from a cash basis to a modified accrual basis. The $211 million increase is the net of a $271 million increase for 1988 for the change in accounting principle, minus a $60 million decrease in 1989.

Proprietary Funds. Combined operating results for the State's enterprise funds remained strong in 1989. Operating revenues were $147 million, an increase of $25 million over 1988. Operating expenses increased to $136 million from $111 million the previous year. The Tennessee Housing Development Agency (THDA), created to provide housing loans to lower and moderate income citizens, again paced the enterprise activity ($126 million and $112 million in operating revenues and expenses, respectively). Outstanding enterprise fund bonds at June 30, 1989 totaled $1.5 billion, consisting of $57 million in State Loan Program general obligation bonds and $1.4 billion in THDA and Local Development Authority revenue bonds.

Combined operating results for the State's internal service funds also remained strong in 1989. Operating revenues and expenses for these cost-reimbursement agencies aggregated $87 million and $85 million, respectively, as compared to 1988 amounts of $75 million and $71 million. The principal internal service operations provide data processing services, third party liability claims processing and motor pool vehicles to other State departments.

Pension Plan. Total assets of the State's pension trust fund reached $7.2 billion at June 30, 1989. The latest actuarial study of the plan, prepared as of June 30, 1989, indicated that the actuarially computed pension benefit obligation exceeded the net assets of the pension fund by $29.2 million.

College and University Funds. College and University current funds revenues increased 10% to $876 million in 1989. State appropriations to these funds rose 6% to $659 million. The primary highlights in current funds revenues were the increase in income from tuition and fees ($200 million in 1989 vs. $180 million in 1988); and increased auxiliary enterprise and hospital revenues ($323 million in 1989 vs. $300 million in 1988) reflecting higher patient occupancies at both university-operated hospitals. Current funds expenditures likewise increased in 1989, up some 9% to $1.2 billion. The State's commitment to increased pay and benefits for higher education faculty and staff was borne out by this increment. Student loans outstanding at June 30, 1989, primarily from federal government sources, totaled $40 million, up $1 million from last year. Total assets of the endowment and similar funds group rose 10% in 1989 to $103 million. College and university revenue bonded debt decreased $10 million to $244 million at June 30, 1989. Enrollment increased to 106 thousand students; university students increased by one thousand to 83.4 thousand and community college students increased by two thousand to 22.9 thousand.

Debt Administration. At June 30, 1989, the state had a number of debt issues outstanding. These issues included $554 million of general obligation bonds, and $60.6 million of enterprise fund debt with state commitment. Tennessee continues to receive excellent bond ratings from both Moody's Investors Service (Aaa) and Standard and Poor's Corporation (AA+) on general obligation bond issues, reflecting our long-standing record of sound financial management. Under current state statutes, the state's general obligation bonded debt issuances are subject to an annual legal debt service limitation based on a pledged portion of certain current year revenues. As of June 30, 1989, the state's annual legal debt service limit of $269 million was well above the debt service required of $105 million, with a legal debt service margin of $164 million. Debt per capita equaled $110, and the ratio of net general long-term bonded debt to assessed property valuation was 1.46 percent.

No general obligation bonds were sold during the year.

On July 11, 1989, the state closed an issue of $46 million of general obligation bonds. The bonds' average effective interest rate was 6.681 percent.

Cash Management. In recent years the State Treasurer has pursued an aggressive cash management and investment program. One aspect of this which we believe is unique to Tennessee is our direct access into the Federal Reserve wire system. Through the State Trust of Tennessee, wire services in the federal system are available via a terminal located in the State's investment offices. This provides the State with unprecedented flexibility in vesting and concentrating cash balances and pension fund assets, and in redeeming warrants and checks issued against the Treasury. During fiscal year 1989, uncommitted State funds were invested in short-term collateralized deposits as follows (averaged): certificates of deposit (37%); repurchase agreements (14%); U.S. Treasuries (48%); and money market accounts (1%). The composite average yield on these investments was 8.08%, up from 6.95% last year.

Risk Management. During 1989, the state initiated a loss prevention program. A loss prevention specialist has been employed to assist the state in analyzing the underlaying cause of losses and in recommending measures to minimize the reoccurrence of similar losses. All state property is insured under an all risk policy for full value, with no upper limit on aggregate claims for losses. The insurance policy has an annual $5 million aggregate deductible which is covered by a $5 million state designation for casualty losses.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit of all fund types and account groups of the State. The accompanying financial statements have been examined by the Division of State Audit, Office of the Comptroller of the Treasury. Their examination was conducted in accordance with generally accepted government auditing standards, and their unqualified opinion appears elsewhere herein.

In conjunction with this examination, the Division of State Audit conducted an organization-wide audit as described in the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, Audits of State and Local Governments. The audit included tests of compliance with applicable federal laws and regulations as well as a study and evaluation of internal controls, including internal accounting and administrative controls used in administering federal financial assistance programs. The results of this single audit are published under separate cover by the Division of State Audit.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 1988. This is the tenth consecutive year that the state has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedication of the entire staff of the Division of Accounts in the Department of Finance and Administration. I would like to personally thank the following individually in the Division of Accounts: Danny Creekmore, Clyde Phillips, Frances Waddell, Jim Edgin, Colman Keane, Juanita McCrary, Helen Wade, Larry Perry, Ellen Fellman, Tammy Miller, John Sparks, Susan Drye, Ken Lyons, Mark Jared, Jennifer Pearson, and Rick Peters.

This report would not have been prepared without the cooperation of all state agencies and branches.

Respectfully submitted,

David L. Manning, Commissioner
Department of Finance and Administration

DLM/jm

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

William R. Snodgrass
Comptroller

STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5043
PHONE (615) 741-2501

December 18, 1989

To the Members of the General Assembly
of the State of Tennessee
and
The Honorable Ned McWherter, Governor
State of Tennessee

Ladies and Gentlemen:

In accordance with Section 4-3-304, Tennessee Code Annotated, transmitted herewith is the auditor's report on the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 1989.

Respectfully,

W. R. Snodgrass
Comptroller of the Treasury

WRS/jm

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1988

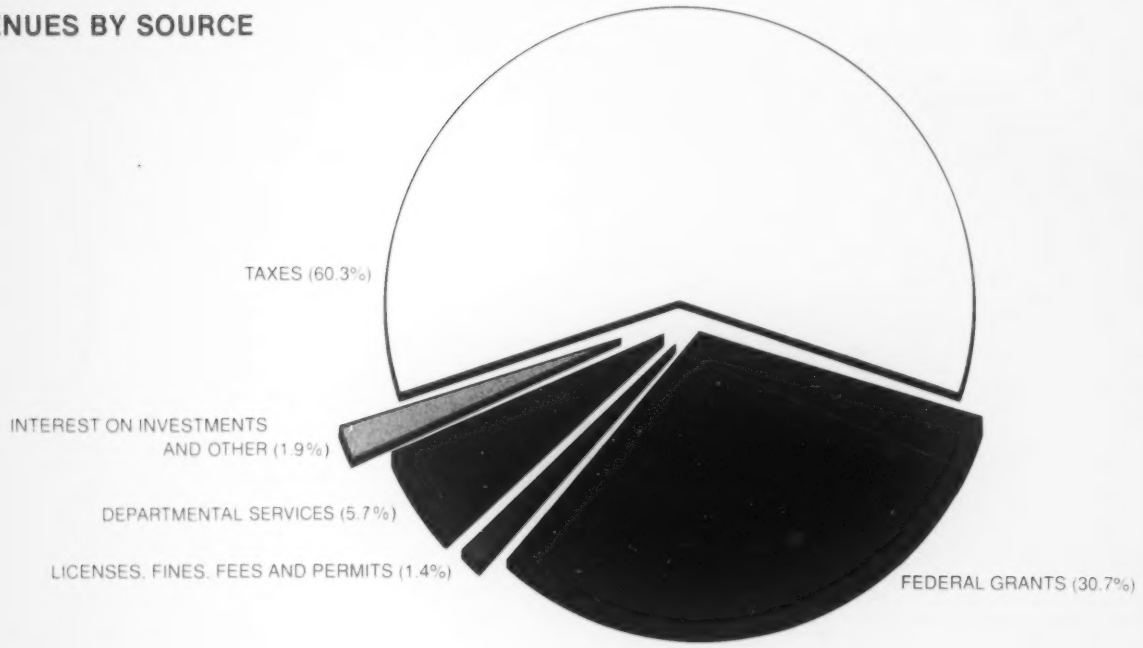
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) achieve the highest standards in government accounting and financial reporting.

President

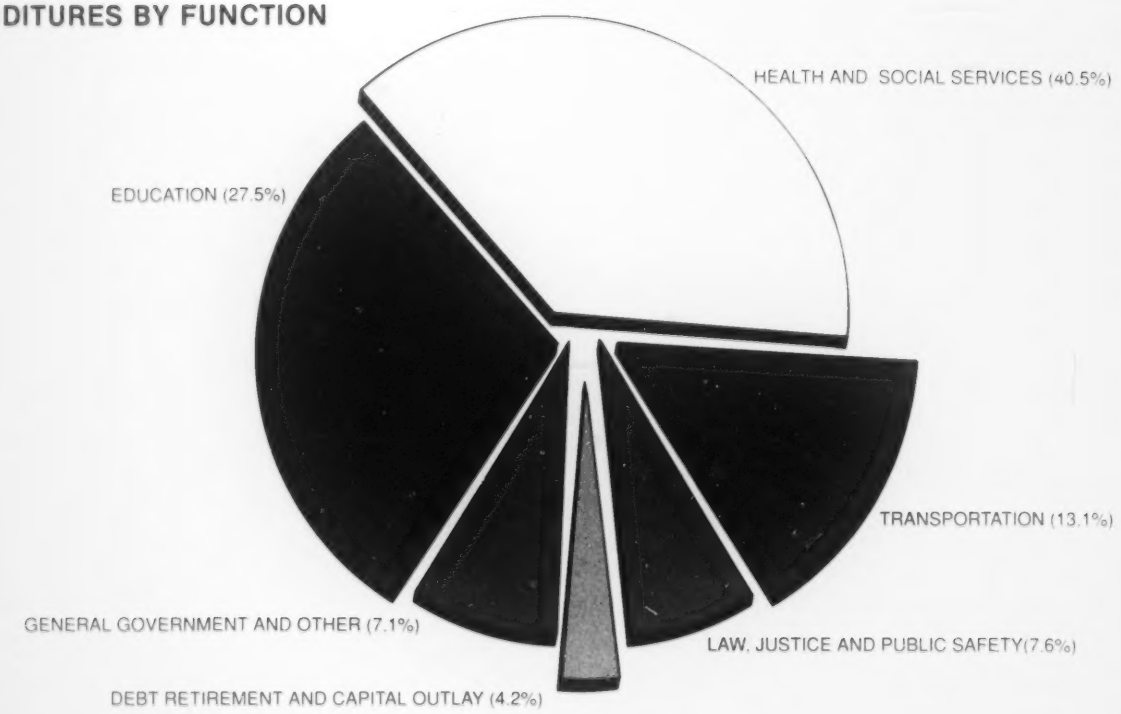
Executive Director

STATE OF TENNESSEE
GRAPHIC PRESENTATION OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1989

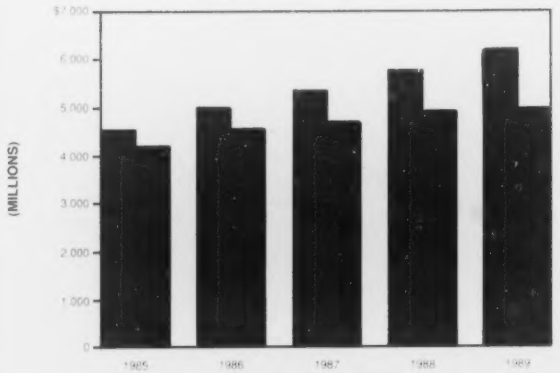
REVENUES BY SOURCE


TAXES (60.3%)
INTEREST ON INVESTMENTS AND OTHER (1.9%)
DEPARTMENTAL SERVICES (5.7%)
LICENSES, FINES, FEES AND PERMITS (1.4%)
FEDERAL GRANTS (30.7%)

EXPENDITURES BY FUNCTION

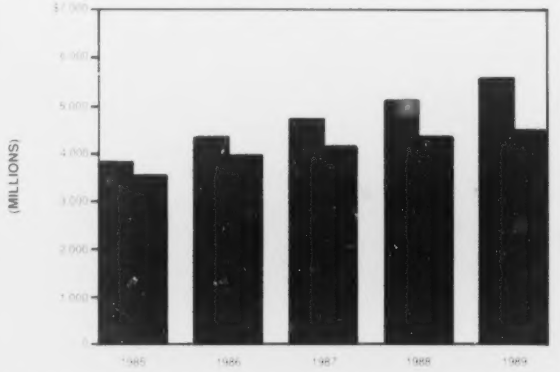

HEALTH AND SOCIAL SERVICES (40.5%)
EDUCATION (27.5%)
TRANSPORTATION (13.1%)
GENERAL GOVERNMENT AND OTHER (7.1%)
LAW, JUSTICE AND PUBLIC SAFETY(7.6%)
DEBT RETIREMENT AND CAPITAL OUTLAY (4.2%)

STATE OF TENNESSEE
REVENUES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



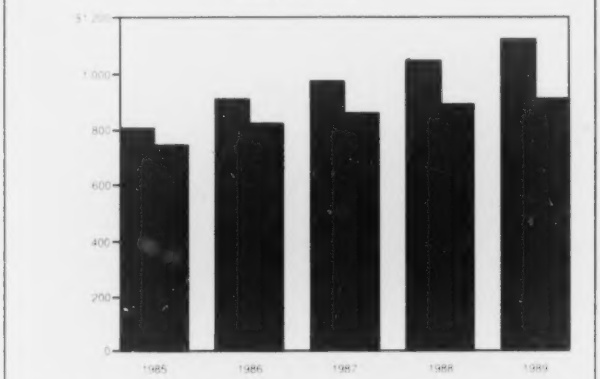
CURRENT DOLLARS	$4,548	$5,000	$5,349	$5,780	$6,258
CONSTANT DOLLARS (1982)	$4,181	$4,532	$4,674	$4,998	$5,362
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	15.3%	9.9%	7.0%	8.1%	8.3%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	11.4%	8.4%	3.1%	6.9%	7.3%

STATE OF TENNESSEE
EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



CURRENT DOLLARS	$3,850	$4,354	$4,734	$5,127	$5,560
CONSTANT DOLLARS (1982)	$3,541	$3,930	$4,126	$4,345	$4,496
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	12.8%	13.1%	8.7%	8.3%	8.5%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	9.0%	11.0%	5.0%	5.3%	3.5%

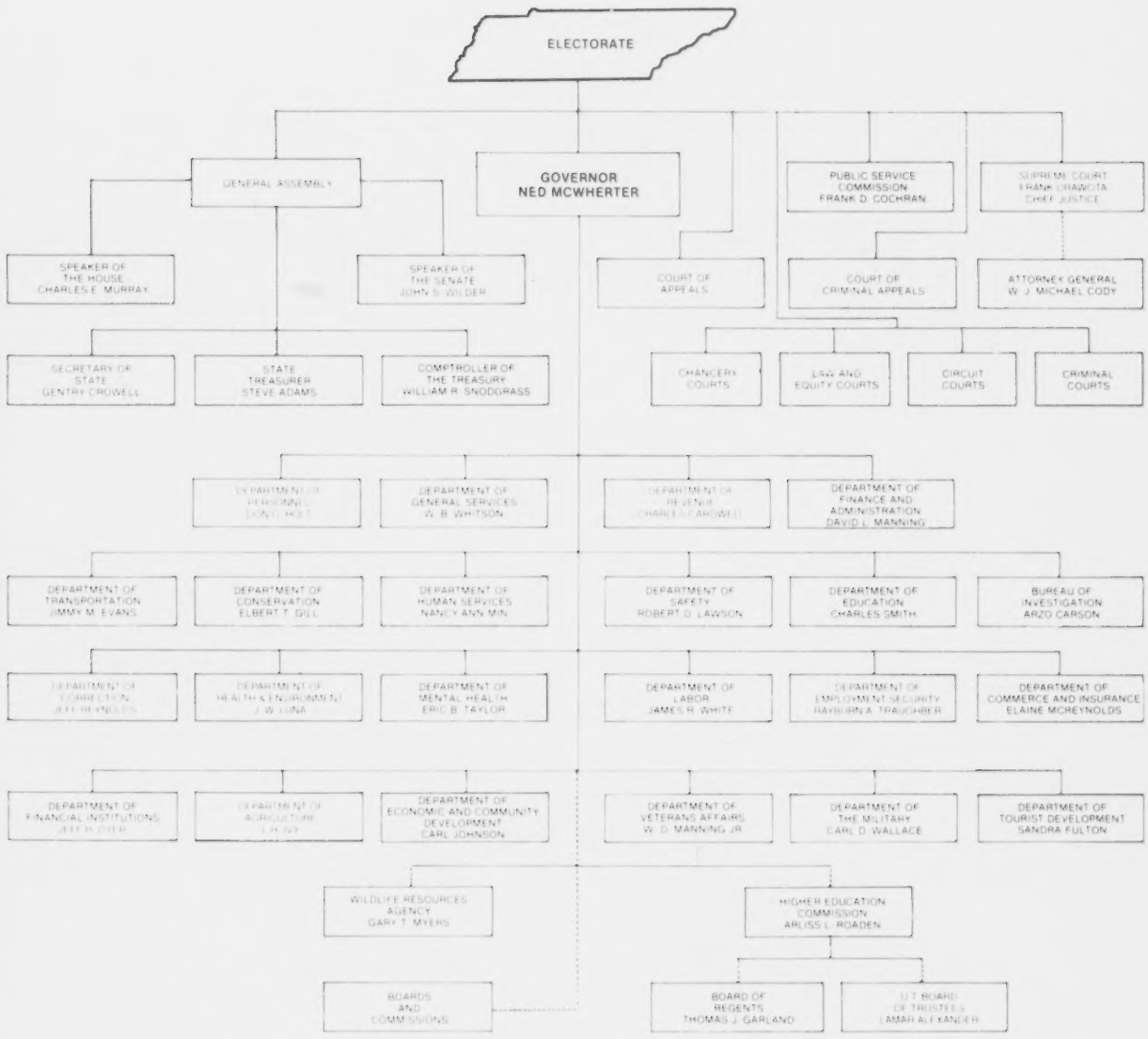
STATE OF TENNESSEE
PER CAPITA EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



CURRENT DOLLARS	$808	$907	$975	$1,044	$1,129
CONSTANT DOLLARS (1982)	$744	$819	$855	$885	$905
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	11.9%	12.3%	7.5%	7.1%	7.6%
PERCENT INCREASE OVER PRIOR YEAR IN CONSTANT DOLLARS	8.1%	10.5%	4.0%	3.5%	2.3%

NOTE: EXPENDITURES EXPRESSED IN CONSTANT DOLLARS WERE DERIVED BY USING THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS.

STATE OF TENNESSEE
ORGANIZATION CHART
1989



FINANCIAL SECTION

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37219-5047
PHONE (615) 741-3697

Independent Auditor's Report

December 18, 1989

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have audited the accompanying general purpose financial statements of the State of Tennessee and the combining, individual fund, and account group financial statements of the State as of and for the year ended June 30, 1989, as listed in the table of contents. These financial statements are the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Tennessee at June 30, 1989, and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the State of Tennessee at June 30, 1989, and the results of operations of such funds and the changes in financial position of individual proprietary and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 2D to the financial statements, the State of Tennesse changed its method of accounting for taxes and licenses in 1989.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements, taken as a whole, and on the combining, individual fund, and account group financial statements. The accompanying financial information, listed as supplementary schedules in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the State of Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund, and account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

The statistical and economic data, listed in the foregoing table of contents, were not audited by us, and accordingly, we do not express an opinion thereon.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/jm

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF TENNESSEE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1989

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
CASH AND CASH EQUIVALENTS	$ 388,277	$ 377,214	$ 3,228	$ 190,106
CASH ON DEPOSIT WITH FISCAL AGENT			100	
INVESTMENTS				
RECEIVABLES (Note 2)	519,758	80,190	1,827	2,245
ADVANCES TO OTHER FUNDS	2,720			
INTERFUND RECEIVABLES (Note 2)	483	580		9,548
INVENTORIES		6,077		
PREPAYMENTS	51			
LAND				
STRUCTURES AND IMPROVEMENTS				
MACHINERY AND EQUIPMENT				
LESS - ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
AMOUNT AVAILABLE IN DEBT SERVICE FUND				
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS				
DEFERRED CHARGES AND OTHER				
TOTAL ASSETS	$ 911,289	$ 464,061	$ 5,155	$ 201,899
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
WARRANTS PAYABLE	$ 91,846	$ 27,827	$ 4	$ 7,299
ACCOUNTS PAYABLE AND ACCRUALS	301,613	40,774	752	12,379
INTERFUND PAYABLES (Note 2)	6,469	1,273		
ADVANCE FROM OTHER FUNDS		2,720		
NOTES PAYABLE (Note 3)				
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
LEASE OBLIGATIONS PAYABLE				
DEFERRED REVENUE	69,862	4,358		1,026
OTHER	127	7,579		
TOTAL LIABILITIES	469,917	84,531	756	20,704
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL				
INVESTMENTS IN FIXED ASSETS				
RETAINED EARNINGS:				
RESERVED FOR BOND RETIREMENT				
RESERVED FOR LOCAL DEVELOPMENT LOANS				
RESERVED FOR HOUSING DEVELOPMENT LOANS				
UNRESERVED				
FUND BALANCES (Note 2):				
RESERVED FOR:				
RELATED ASSETS		6,077		
ENCUMBRANCES AND CONTRACTS	28,005	209,294		67,226
CONTINUING APPROPRIATIONS	92,918			
OTHER SPECIFIC PURPOSES	7,550	141,715		113,969
UNRESERVED:				
DESIGNATED FOR REVENUE FLUCTUATIONS	100,000			
DESIGNATED FOR HIGHWAY CONSTRUCTION		22,444		
DESIGNATED FOR DEBT SERVICE			4,399	
DESIGNATED FOR TRUST PURPOSES				
DESIGNATED FOR COLLEGES AND UNIVERSITIES				
DESIGNATED FOR OTHER SPECIFIC PURPOSES	212,885			
UNDESIGNATED	14			
TOTAL FUND EQUITY	441,372	379,530	4,399	181,195
TOTAL LIABILITIES AND FUND EQUITY	$ 911,289	$ 464,061	$ 5,155	$ 201,899

See accompanying Notes to the Financial Statements

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTALS (MEMORANDUM ONLY)	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS (Notes 1, 2)	GENERAL LONG-TERM OBLIGATIONS (Note 3)	COLLEGE AND UNIVERSITY	JUNE 30, 1989	JUNE 30, 1988
$ 365,853	$ 84,682	$ 1,277,759			$ 123,084	$ 2,810,203	$ 2,881,570
	8,148	629,232			28,010	565,490	579,054
229,376	68,516	6,662,230			175,441	7,135,563	6,223,096
1,199,600	1,154	311,571			134,803	2,251,148	1,630,156
						2,720	3,301
2	161	13,909			129,534	154,217	94,419
	1,004				18,310	25,391	22,475
	750				2,412	3,213	4,589
29	1,618		$ 81,587		60,988	144,222	140,595
106	18,838		707,532		1,355,840	2,082,316	1,995,431
559	82,222	34	213,744		609,934	906,493	830,310
(396)	(44,521)	(13)				(44,930)	(38,538)
			106,173		43,626	149,799	57,175
				$ 4,399		4,399	2,390
				647,536		647,536	704,953
2,342	1,866				1,944	6,152	6,964
$ 1,797,471	$ 224,438	$ 8,894,722	$ 1,109,036	$ 651,935	$ 2,683,926	$ 16,943,932	$ 15,137,940
$ 2,604	$ 1,644	$ 25,718				$ 156,942	$ 106,909
82,835	65,811	327,186		$ 97,671	$ 141,949	1,070,970	882,824
27	521	139,869			6,058	154,217	94,412
						2,720	3,301
64,131					64,276	128,407	130,600
1,505,281	68,756			554,236	243,928	2,372,201	2,161,169
733	1,979					2,712	2,712
				28	3,212	3,240	3,742
2,994	103	10,815			29,303	118,461	110,242
		499,180			24,595	531,481	465,765
1,658,605	138,814	1,002,768		651,935	513,321	4,541,351	3,961,676
8,979	53,380					62,359	48,309
			$ 1,109,036		1,756,564	2,865,600	2,615,784
17,454						17,454	16,485
3,798						3,798	3,485
58,359						58,359	
50,276	32,244					82,520	120,957
					53,747	59,824	53,147
					16,321	320,846	327,803
						92,918	42,797
		7,893,692			250,392	8,407,318	7,640,451
						100,000	96,800
						22,444	21,395
						4,399	2,390
		(1,738)			4,692	2,954	37,457
					88,889	88,889	99,529
						212,885	49,463
						14	12
138,866	85,624	7,891,954	1,109,036		2,170,605	12,402,581	11,176,264
$ 1,797,471	$ 224,438	$ 8,894,722	$ 1,109,036	$ 651,935	$ 2,683,926	$ 16,943,932	$ 15,137,940

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	JUNE 30, 1989	JUNE 30, 1988
REVENUES:							
TAXES	$ 3,139,106	$ 452,995	$ 123,011	$	$ 218,770	$ 3,933,882	$ 3,725,169
LICENSES, FINES, FEES AND PERMITS	51,479	35,789				87,268	78,715
INTEREST ON INVESTMENTS	72,082	2,453			90,914	165,449	147,585
FEDERAL	1,620,501	262,980	92	4,523	20,424	1,908,520	1,759,470
DEPARTMENTAL SERVICES	334,868	14,895		2,132		351,895	332,371
CONTRIBUTIONS					147,728	147,728	121,263
OTHER	32,863	8,022			413	41,298	34,011
TOTAL REVENUES	5,250,899	777,134	123,103	6,655	478,249	6,636,040	6,198,584
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	201,025	15,884			170,693	387,602	340,147
EDUCATION	1,532,423	1,725			28,941	1,563,089	1,466,595
HEALTH AND SOCIAL SERVICES	2,255,709	3,695			207,825	2,467,229	2,228,873
LAW, JUSTICE AND PUBLIC SAFETY	423,264	490				423,754	391,384
RECREATION AND RESOURCES DEVELOPMENT	135,693	23,909				159,602	151,234
REGULATION OF BUSINESS AND PROFESSIONS	24,154	27				24,181	23,097
TRANSPORTATION		728,884				728,884	689,265
DEBT SERVICE			98,097			98,097	104,182
CAPITAL OUTLAY				134,997		134,997	77,103
TOTAL EXPENDITURES	4,572,268	774,614	98,097	134,997	407,459	5,987,435	5,471,880
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	678,631	2,520	25,006	(128,342)	70,790	648,605	726,704
OTHER FINANCING SOURCES(USES):							
CAPITALIZED LEASE							42
OPERATING TRANSFERS IN	47	16,394	217	61,698		78,356	56,816
OPERATING TRANSFERS OUT	(733,044)		(25,025)	(60,461)	(47)	(818,577)	(735,213)
TOTAL OTHER FINANCING SOURCES(USES)	(732,997)	16,394	(24,808)	1,237	(47)	(740,221)	(678,355)
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(54,366)	18,914	198	(127,105)	70,743	(91,616)	48,349
CUMULATIVE EFFECT ON PRIOR YEARS (JUNE 30, 1988) OF CHANGING TO A DIFFERENT BASIS OF ACCOUNTING FOR TAXES AND LICENSES (NOTE 2)	271,153	33,543	1,811			306,507	
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	216,787	52,457	2,009	(127,105)	70,743	214,891	48,349
FUND BALANCES, JULY 1	230,194	327,073	2,390	308,300	611,539	1,479,496	1,431,232
EQUITY TRANSFERS	(5,609)					(5,609)	(85)
FUND BALANCES, JUNE 30 (Note 2)	$ 441,372	$ 379,530	$ 4,399	$ 181,195	$ 682,282	$ 1,688,778	$ 1,479,496

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1989	JUNE 30, 1988
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 10,946	$ 77,483			$ 88,429	$ 77,545
CONTRIBUTIONS				$ 426,199	426,199	476,125
INVESTMENT INCOME	131,785	9,245	$ 9,657	469,373	620,060	606,875
DISCOUNT AMORTIZATION				80,177	80,177	92,248
OTHER	4,374		4,008		8,382	5,585
TOTAL OPERATING REVENUES	147,105	86,728	13,665	975,749	1,223,247	1,258,378
OPERATING EXPENSES:						
PERSONAL SERVICES	3,164	12,561			15,725	14,291
CONTRACTUAL SERVICES	5,012	10,211			15,223	32,379
MATERIALS AND SUPPLIES	160	11,583			11,743	9,363
RENTALS AND INSURANCE	496	4,344			4,840	4,091
INTEREST	116,963	4,400			121,363	106,500
DEPRECIATION AND AMORTIZATION	354	13,387	3		13,744	11,638
BENEFITS	8,612	25,966		258,320	292,898	263,470
REFUNDS				20,665	20,665	17,802
OTHER	1,278	2,769	6,514		10,561	8,267
TOTAL OPERATING EXPENSES	136,039	85,221	6,517	278,985	506,762	467,801
OPERATING INCOME	11,066	1,507	7,148	696,764	716,485	790,577
NONOPERATING REVENUES(EXPENSES)	8,223		(11,740)		(3,517)	(10,461)
INCOME(LOSS) BEFORE OPERATING TRANSFERS	19,289	1,507	(4,592)	696,764	712,968	780,116
OPERATING TRANSFERS IN	743		22,410		23,153	14,117
INCOME BEFORE EXTRAORDINARY CHARGE	20,032	1,507	17,818	696,764	736,121	794,233
EXTRAORDINARY CHARGE (Note 3)	(425)				(425)	(1,192)
NET INCOME/CHANGE IN RETAINED EARNINGS	19,607	1,507	17,818	696,764	735,696	793,041
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFERS IN	5,609				5,609	85
CONTRIBUTED FIXED ASSETS	63	8,468			8,531	734
CONTRIBUTIONS FROM PRIVATE SOURCES			6,092		6,092	4,560
NET CHANGE IN FUND EQUITY	25,279	9,975	23,910	696,764	755,928	798,420
FUND EQUITY, JULY 1 (Note 2)	113,587	75,649	107,797	6,381,201	6,678,234	5,879,814
FUND EQUITY, JUNE 30	$ 138,866	$ 85,624	$ 131,707	$ 7,077,965	$ 7,434,162	$ 6,678,234

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1989	JUNE 30, 1988
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
NET INCOME BEFORE EXTRAORDINARY ITEMS	$ 20,032	$ 1,507	$ 17,818	$ 696,764	$ 736,121	$ 794,233
ITEMS NOT PROVIDING/REQUIRING WORKING CAPITAL:						
DISCOUNT AMORTIZATION	1,257			(80,177)	(78,920)	(91,016)
DEPRECIATION AND AMORTIZATION	354	13,387	3		13,744	11,638
DEEP DISCOUNT BOND ACCRETION	6,081				6,081	5,274
WORKING CAPITAL PROVIDED BY OPERATIONS, EXCLUSIVE OF EXTRAORDINARY ITEMS	27,724	14,894	17,821	616,587	677,026	720,129
EXTRAORDINARY ITEMS	(425)				(425)	(1,192)
WORKING CAPITAL PROVIDED BY OPERATIONS	27,299	14,894	17,821	616,587	676,601	718,937
PROCEEDS FROM SALE OF BONDS	331,507				331,507	167,871
DISPOSAL OF MACHINERY AND EQUIPMENT		1,959			1,959	3,519
DECREASE IN LOANS TO OTHER GOVERNMENTS	2,764				2,764	2,573
DECREASE IN LOANS RECEIVABLE	44,596				44,596	59,887
SALE OF LONG-TERM INVESTMENTS	82				82	2,749
EQUITY TRANSFERS IN	5,609				5,609	85
CONTRIBUTIONS FROM PRIVATE SOURCES			6,092		6,092	4,560
DECREASE IN NONCURRENT RECEIVABLES		316			316	631
TOTAL SOURCES OF WORKING CAPITAL	411,857	17,169	23,913	616,587	1,069,526	960,812
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	48,001	61	22,438	761,618	832,118	804,697
INCREASE IN NONCURRENT RECEIVABLES	204,334				204,334	139,459
INCREASE IN DEFERRED CHARGES	514				514	453
ACQUISITION OF FIXED ASSETS	44	13,897			13,941	18,212
DECREASE IN LONG-TERM DEBT	76,931				76,931	55,527
DECREASE IN ADVANCE FROM OTHER FUNDS		421			421	842
TOTAL USES OF WORKING CAPITAL	330,124	14,379	22,438	761,618	1,128,559	1,019,190
NET CHANGE IN WORKING CAPITAL	$ 81,733	$ 2,790	$ 1,475	$ (145,031)	$ (59,033)	$ (58,378)
ELEMENTS OF NET INCREASE(DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 125,320	$ 19,630	$ (4,446)	$ (154,106)	$ (13,602)	$ (108,130)
CASH ON DEPOSIT WITH FISCAL AGENT		7,396			7,396	290
RECEIVABLES	3,690	(304)	2,966	28,028	34,380	(21,716)
INTERFUND RECEIVABLES	(4)	108	556	(1,004)	(344)	(1,762)
INVENTORIES		606			606	(75)
PREPAID EXPENSES		343	(1)		342	375
WARRANTS PAYABLE	584	436	(663)	(1,051)	(694)	(13,371)
ACCOUNTS PAYABLE AND ACCRUALS	(23,981)	(25,740)	2,860	(16,898)	(63,759)	41,843
INTERFUND PAYABLES	(4)	418	(568)		(154)	(76)
NOTES PAYABLE	(2,699)				(2,699)	325
CURRENT PORTION OF LONG-TERM DEBT	(20,137)				(20,137)	43,341
OTHER	(1,036)	(103)	771		(368)	578
NET CHANGE IN WORKING CAPITAL	$ 81,733	$ 2,790	$ 1,475	$ (145,031)	$ (59,033)	$ (58,378)

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

			TOTALS FOR THE YEAR ENDED	
	UNRESTRICTED	RESTRICTED	JUNE 30, 1989	JUNE 30, 1988
REVENUES:				
EDUCATIONAL AND GENERAL:				
TUITION AND FEES	$ 199,535		$ 199,535	$ 179,584
FEDERAL APPROPRIATIONS	13,568		13,568	13,501
LOCAL APPROPRIATIONS	1,736		1,736	1,510
FEDERAL GRANTS AND CONTRACTS	14,825	$ 151,304	166,129	156,388
STATE GRANTS AND CONTRACTS	2,343	29,885	32,228	25,078
LOCAL GRANTS AND CONTRACTS	3,943	3,047	6,990	6,991
PRIVATE GIFTS, GRANTS AND CONTRACTS	5,016	53,489	58,505	52,978
ENDOWMENT INCOME	888	8,086	8,974	5,733
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	38,908		38,908	34,737
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	319,679	3,743	323,422	299,548
OTHER SOURCES	25,938	44	25,982	22,782
TOTAL REVENUES	626,379	249,598	875,977	798,830
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	476,058	51,292	527,350	489,384
RESEARCH	35,192	82,322	117,514	106,612
PUBLIC SERVICE	44,543	52,747	97,290	87,534
ACADEMIC SUPPORT	95,137	7,190	102,327	93,593
STUDENT SERVICES	73,833	3,113	76,946	70,065
INSTITUTIONAL SUPPORT	110,755	2,969	113,724	108,324
OPERATION AND MAINTENANCE OF PLANT	93,762	642	94,404	88,117
SCHOLARSHIPS AND FELLOWSHIPS	12,729	54,783	67,512	56,468
EDUCATIONAL AND GENERAL EXPENDITURES	942,009	255,058	1,197,067	1,100,097
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	7,908		7,908	6,835
ENDOWMENT FUND	404		404	206
LOAN FUND MATCHING GRANT	124		124	100
RESTRICTED CURRENT FUND	166		166	(43)
NON-MANDATORY TRANSFERS FOR:				
UNEXPENDED PLANT FUND	6,888		6,888	12,266
RENEWALS AND REPLACEMENTS	3,318		3,318	2,771
RETIREMENT OF INDEBTEDNESS	3,314		3,314	(5,600)
AUXILIARY ENTERPRISE AND HOSPITALS	(908)		(908)	(1,629)
ENDOWMENT FUND	4,785		4,785	7,397
STATE GENERAL FUND	(647,404)	(11,453)	(658,857)	(621,010)
STATE CHAIRS OF EXCELLENCE TRUST FUND		2,250	2,250	2,063
TOTAL EDUCATIONAL AND GENERAL	320,604	245,855	566,459	503,453
AUXILIARY ENTERPRISES AND HOSPITALS:				
EXPENDITURES	293,313	3,743	297,056	265,323
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	18,849		18,849	16,200
RENEWALS AND REPLACEMENTS	18		18	18
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENT	3,527		3,527	2,928
UNEXPENDED PLANT FUNDS	348		348	2,119
EDUCATIONAL AND GENERAL FUNDS	908		908	1,629
RETIREMENT OF INDEBTEDNESS	491		491	2,550
TOTAL AUXILIARY ENTERPRISE AND HOSPITAL EXPENDITURES AND TRANSFERS	317,454	3,743	321,197	290,767
TOTAL CURRENT EXPENDITURES AND TRANSFERS	638,058	249,598	887,656	794,220
OTHER TRANSFERS AND ADDITIONS(DEDUCTIONS):				
EXCESS OF RESTRICTED OVER TRANSFER TO REVENUE		18,898	18,898	17,361
INDIRECT COST RECOVERIES		(17,464)	(17,464)	(16,577)
TRANSFERS FROM OTHER FUNDS	67	1,519	1,586	132
REFUNDED TO GRANTORS		(915)	(915)	(579)
OTHER ADDITIONS(DEDUCTIONS)	6,075	(136)	5,939	4,549
NET INCREASE(DECREASE) IN FUND BALANCES	$ (5,537)	$ 1,902	$ (3,635)	$ 9,496

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	CURRENT FUNDS			ENDOWMENT	LIFE
	UNRESTRICTED	RESTRICTED	LOAN	AND SIMILAR	INCOME
REVENUES AND OTHER ADDITIONS:					
EDUCATIONAL AND GENERAL REVENUES	$ 306,700				
AUXILIARY ENTERPRISES AND HOSPITALS	319,679				
GRANTS AND CONTRACTS - RESTRICTED		$ 98,525	$ 1,274		
GIFTS AND BEQUESTS - RESTRICTED		164,176	157	$ 7,929	$ 3,185
REALIZED GAINS ON INVESTMENTS				1,557	56
INTEREST INCOME - RESTRICTED			1,195		
INVESTMENT INCOME - RESTRICTED		325	261		1,082
ENDOWMENT INCOME		5,372	52	592	
BONDS AND NOTES ISSUED					
EQUIPMENT USE CHARGES					
STUDENT DEBT SERVICE FEES					
EXPENDED FOR PLANT FACILITIES					
OTHER	6,411	148	210	342	
TOTAL REVENUES AND OTHER ADDITIONS	632,790	268,546	3,149	10,420	4,323
EXPENDITURES AND OTHER DEDUCTIONS:					
EDUCATIONAL AND GENERAL EXPENDITURES	942,009	255,058			
AUXILIARY ENTERPRISES EXPENDITURES	293,313	3,743			
INDIRECT COST RECOVERED		17,303			
REFUNDED TO GRANTORS		915	203		
LOAN CANCELLATIONS AND WRITE-OFFS			592		
ADMINISTRATIVE AND COLLECTION COST			282		
EXPENDED FOR PLANT FACILITIES					
RETIREMENT OF INDEBTEDNESS					
INTEREST ON INDEBTEDNESS					
DISPOSAL OF PLANT FACILITIES					
PAYMENTS TO BENEFICIARIES					1,048
BONDS AND NOTES ISSUED					
OTHER	276	347	791	4,650	4
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,235,598	277,366	1,868	4,650	1,052
TRANSFERS AMONG FUNDS ADDITIONS(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(26,757)				
LOAN FUND MATCHING GRANT	(124)		124		
ENDOWMENT FUND	(464)			694	(230)
RENEWALS AND REPLACEMENT	(18)				
RESTRICTED CURRENT FUND	(166)	1,757		(1,825)	(250)
NON-MANDATORY:					
RESTRICTED CURRENT FUND	66	(32)		(34)	
ENDOWMENT FUND	(4,786)		(1)	5,166	
LOAN FUNDS	1		(1)		
UNEXPENDED PLANT FUND	(7,236)	(206)	(1)		
RENEWALS AND REPLACEMENTS	(6,844)				
RETIREMENT OF INDEBTEDNESS	(3,805)				
STATE GENERAL FUND AND CAPITAL PROJECTS FUND	647,404	11,453			
STATE CHAIRS OF EXCELLENCE TRUST FUND		(2,250)			
TOTAL TRANSFERS AMONG FUNDS	597,271	10,722	121	4,001	(480)
NET INCREASE(DECREASE) FOR THE YEAR	(5,537)	1,902	1,402	9,771	2,791
FUND BALANCE, JULY 1	74,871	45,003	44,645	92,982	13,623
FUND BALANCE, JUNE 30	$ 69,334	$ 46,905	$ 46,047	$ 102,753	$ 16,414

See accompanying Notes to the Financial Statements

PLANT FUNDS				TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	JUNE 30, 1989	JUNE 30, 1988
				$ 306,700	$ 277,011
				319,679	296,396
$ 1,280		$ 428		101,507	255,815
2,783		366	$ 1,566	180,162	39,038
				1,613	16,148
				1,196	1,124
2,448	$ 2,174	4,029		10,319	10,346
				6,016	4,831
			18,495	18,496	34,726
	5,285	212		5,497	5,075
		5,551		5,551	5,470
			156,545	156,545	155,655
682	123	77	1,002	8,995	22,421
7,193	7,582	10,663	177,608	1,122,274	1,124,056
				1,197,067	1,100,097
				297,056	265,323
				17,303	16,578
				1,118	536
				592	662
		27		309	383
79,327	6,702	782		86,811	104,038
		18,530		18,530	27,845
		19,679	2,475	22,154	19,697
			13,778	13,778	9,591
				1,048	957
			12,015	12,015	46,497
4,821		41	17,880	28,810	28,751
84,148	6,702	39,059	46,148	1,696,591	1,621,055
		26,757			
	18				
350		134			
		(379)			
11,680	(354)	(3,883)			
	6,844				
	(667)	4,472			
59,631	148	682		719,318	666,343
				(2,250)	(2,063)
71,661	5,989	27,783		717,068	664,280
(5,294)	6,869	(613)	131,460	142,751	167,281
40,232	32,666	58,728	1,625,104	2,027,854	1,860,573
$ 34,938	$ 39,535	$ 58,115	$ 1,756,564	$ 2,170,605	$ 2,027,854

STATE OF TENNESEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL(BUDGETARY BASIS)
GENERAL FUND AND ALL SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGETARY BASIS), JULY 1	$ 199,413	$ 199,413	
ADD:			
ENCUMBRANCES AND CONTRACT RESERVES REAPPROPRIATED	30,669	30,669	
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	271,153	271,153	
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	501,235	501,235	
REVENUES:			
TAXES	3,166,039	3,139,106	$ (26,933)
LICENSES, FINES, FEES AND PERMITS	50,361	51,478	1,117
INTEREST ON INVESTMENTS	78,000	72,082	(5,918)
FEDERAL	1,771,997	1,620,501	(151,496)
DEPARTMENTAL SERVICES	342,940	334,387	(8,553)
OTHER	26,900	32,863	5,963
OTHER FINANCING SOURCES	47	47	
TOTAL SOURCES OF FINANCIAL RESOURCES	5,937,519	5,751,699	(185,820)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
GENERAL GOVERNMENT			
LEGISLATIVE	14,214	13,036	1,178
SECRETARY OF STATE	20,283	16,599	3,684
COMPTROLLER	33,053	31,162	1,891
TREASURER	8,848	7,847	1,001
PUBLIC SERVICE COMMISSION			
GOVERNOR	8,642	5,303	3,339
COMMISSIONS	47,009	42,106	4,903
FINANCE AND ADMINISTRATION	10,856	10,524	332
PERSONNEL	5,380	4,829	551
GENERAL SERVICES	22,933	21,198	1,735
REVENUE	41,808	41,356	452
OTHER	14,640	9,335	5,305
EDUCATION	1,571,478	1,533,354	38,124
HEALTH AND SOCIAL SERVICES			
VETERANS AFFAIRS	1,778	1,404	374
EMPLOYMENT SECURITY	47,487	44,905	2,582
LABOR	94,554	78,775	15,779
MENTAL HEALTH AND MENTAL RETARDATION	287,912	276,659	11,253
HEALTH AND ENVIRONMENT	1,471,384	1,396,843	74,541
HUMAN SERVICES	502,575	473,841	28,734
LAW, JUSTICE AND PUBLIC SAFETY			
JUDICIAL	64,120	62,094	2,026
CORRECTION	288,877	270,875	18,002
MILITARY	27,261	17,145	10,116
BUREAU OF CRIMINAL INVESTIGATION	14,763	14,355	408
SAFETY	66,535	64,151	2,384
RECREATION AND RESOURCE DEVELOPMENT			
AGRICULTURE	15,344	14,371	973
TOURIST DEVELOPMENT	10,632	10,315	317
CONSERVATION	74,502	68,756	5,746
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT	138,678	44,337	94,341
REGULATION OF BUSINESS AND PROFESSIONS			
COMMERCE AND INSURANCE	20,913	19,922	991
FINANCIAL INSTITUTIONS	4,448	4,343	105
TRANSPORTATION			
OTHER FINANCING USES	738,653	738,653	
TOTAL USES OF FINANCING RESOURCES	5,669,560	5,338,393	331,167
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	$ 267,959	$ 413,306	$ 145,347

See accompanying Notes to the Financial Statements

SPECIAL REVENUE FUNDS			TOTALS(MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 64,953	$ 64,953		$ 264,366	$ 264,366	
262,120	262,120		292,789	292,789	
33,543	33,543		304,696	304,696	
360,616	360,616		861,851	861,851	
421,940	452,995	$ 31,055	3,587,979	3,592,101	$ 4,122
25,910	35,789	9,879	76,271	87,267	10,996
	2,453	2,453	78,000	74,535	(3,465)
898,319	262,980	(635,339)	2,670,316	1,883,481	(786,835)
60,360	14,895	(45,465)	403,300	349,282	(54,018)
	8,022	8,022	26,900	40,885	13,985
16,394	16,394		16,441	16,441	
1,783,539	1,154,144	(629,395)	7,721,058	6,905,843	(815,215)
			14,214	13,036	1,178
			20,283	16,599	3,684
			33,053	31,162	1,891
9,363	4,521	4,842	18,211	12,368	5,843
11,515	11,370	145	11,515	11,370	145
			8,642	5,303	3,339
			47,009	42,106	4,903
			10,856	10,524	332
			5,380	4,829	551
			22,933	21,198	1,735
			41,808	41,356	452
			14,640	9,335	5,305
1,800	1,725	75	1,573,278	1,535,079	38,199
			1,778	1,404	374
			47,487	44,905	2,582
			94,554	78,775	15,779
			287,912	276,659	11,253
5,546	3,695	1,851	1,476,930	1,400,538	76,392
			502,575	473,841	28,734
			64,120	62,094	2,026
			288,877	270,875	18,002
			27,261	17,145	10,116
			14,763	14,355	408
584	523	61	67,119	64,674	2,445
			15,344	14,371	973
			10,632	10,315	317
			74,502	68,756	5,746
26,085	24,492	1,593	26,085	24,492	1,593
			138,678	44,337	94,341
63	27	36	20,976	19,949	1,027
			4,448	4,343	105
1,709,392	1,032,867	676,525	1,709,392	1,032,867	676,525
			738,653	738,653	
1,764,348	1,079,220	685,128	7,433,908	6,417,613	1,016,295
$ 19,191	$ 74,924	$ 55,733	$ 287,150	$ 488,230	$ 201,080

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1989

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements of the State of Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the College and University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

B. Financial Reporting Entity - For financial reporting purposes the State of Tennessee includes all fund types, account groups, departments and agencies of the state, as well as boards, commissions, authorities, colleges and universities, over which the state's executive, legislative and judicial branches exercise oversight responsibility. This complies with Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Oversight responsibility is defined to include the following considerations:

1. Selection of governing authority;
2. Designation of management;
3. Ability to significantly influence operations;
4. Accountability for fiscal matters;
5. Scope of public service; and/or
6. Special financial relationships.

Based primarily on the fact that the state exercises control over the selection of the governing authority and can significantly influence operations, the following components have been included in the Comprehensive Annual Financial Report:

Tennessee Housing Development Agency
Tennessee Local Development Authority
Tennessee State School Bond Authority
Tennessee Student Assistance Corporation
Tennessee Consolidated Retirement System
State Board of Regents
University of Tennessee

C. Fund Structure and Basis of Accounting - The financial activities of the state reported in the accompanying statements are classified into four fund categories and two account groups, all described below. The fund categories include governmental funds, proprietary funds, fiduciary funds, and college and university funds. Account groups are presented for general fixed assets and general long-term obligations.

The state's governmental funds include:

1. the General Fund - used to account for all financial transactions not required to be accounted for in other funds;
2. the Special Revenue Funds - used to account for specific revenues earmarked to finance particular or restricted programs and activities;
3. the Debt Service Fund - used to account for the payment of principal and interest on general long-term debt; and
4. the Capital Projects Fund - used to account for the acquisition or construction of all major governmental capital facilities.

All of the governmental funds are accounted for on the modified accrual basis of accounting. In accordance with this basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Principal revenue sources accounted for on the modified accrual basis include federal grants, departmental services, interest on investments, sales taxes, petroleum and vehicular-related taxes and fees, licenses, and gross receipts taxes. Fines, fees and permits are accounted for on the cash basis. Expenditures are recognized at the time fund liability is incurred except:

a. Inventories generally are considered expenditures when consumed;
b. Prepayments usually are not recorded; and
c. Interest on long-term debt is recorded when due.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditure.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds include:

1. the Enterprise Funds - used to account for the operations of self-sustaining state agencies providing goods or services to the general public on a user-charge basis; and
2. the Internal Service Funds - used to account for the operations of self-sustaining state agencies providing goods or services to other state agencies on a cost-reimbursement basis.

The proprietary funds are accounted for on the accrual basis. Under this method, revenues are recorded when earned and expenses at the time liabilities are incurred.

The fiduciary funds represent Trust and Agency Funds which are used to account for assets held by the state in a trust or agency capacity. These funds include:

1. the Expendable Trust Funds - used to account for the activities of trusts whose principal and income may be used for the purposes of the trust;
2. the Nonexpendable Trust Funds - used to account for the activities of trusts whose income is used to fund the trust purpose but whose principal is to be maintained intact;
3. the Pension Trust Fund - used to account for the activities of the state-administered retirement system; and
4. the Agency Funds - used to account for amounts held in trust for others.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting. Nonexpendable and Pension Trust Funds are accounted for on the accrual basis.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The college and university funds include:

1. Current Funds - used to account for resources that will be expended in the near term for operating purposes of the institutions. These include (a) unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and (b) restricted funds which may be utilized only in accordance with externally-restricted purposes;
2. Fiduciary Funds - used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity; and
3. Plant Funds - used to account for institutional property acquisition, renewal, replacement, debt service and investment.

The college and university funds are accounted for on the accrual basis of accounting with the following exceptions:

A. Depreciation expense related to plant fund assets is not recorded; and
B. Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the term is predominantly conducted.

The account group for general fixed assets is maintained to account for all fixed assets acquired or constructed for use by the state, other than those accounted for in the proprietary, fiduciary, and college and university funds.

The account group for general long-term obligations is maintained to account for general obligation bonds outstanding, accrued annual and compensatory leave, and capital lease obligations not otherwise recorded in proprietary, fiduciary, and college and university funds.

D. Budgetary Process - Legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. Annual budgets are adopted for the general and special revenue funds. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be affected with certain executive and legislative branch approval. Only the legislature, however, may transfer appropriations between departments.

Unencumbered appropriations lapse at the end of each fiscal year. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $52.8 million were required.

The state's annual budget is prepared on the modified accrual basis of accounting with several exceptions, principally the effect of encumbrance and contract obligations. Because these exceptions represent departures from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP basis is presented in Note 2B. The budgetary comparison statement includes the General Fund and all Special Revenue Funds.

E. Cash and Cash Equivalents - In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements and U.S. Treasury bills, bonds and notes. These investments are stated at cost which at June 30, 1989 approximated market. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. In addition, the state is custodian for other securities, not reported in the accompanying financial statements, which collateralize contractor/vendor performance.

F. Investments - This classification includes long-term investments, principally the Pension Trust Fund portfolio, which are stated at cost or amortized cost. Debt securities included in this classification are expected to be held to maturity and redeemed at face value. Investments in the Deferred Compensation Fund are valued at market.

G. Receivables - Receivables in the state's governmental and fiduciary funds primarily consist of taxes, interest, and federal revenues, recorded when earned. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt; accordingly, fees, permits and similar revenues are recognized on the cash basis. Certain Trust Fund receivables, representing taxes and benefits overpayments, have been reduced by an allowance for uncollectibles. Receivables in all other funds have arisen in the ordinary course of business. College and University receivables have also been reduced by an uncollectible allowance.

H. Interfund Transactions - The state basically has four types of interfund transactions, as follows:

1. Services rendered and employee benefit contributions. These transactions are accounted for as revenues, expenditures or expenses in the funds involved.
2. Operating appropriations/subsidies. These are accounted for as operating transfers in the funds involved.
3. Equity contributions. These are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
4. College and university interfund borrowings. These transactions represent borrowings of a temporary nature and are reported as assets of the college and university fund making the advance and as liabilities of the fund receiving the advance.

The composition of the state's interfund receivables and payables at June 30, 1989 is presented in Note 2G.

I. Advances to Other Funds - Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

J. Inventories - Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

K. Fixed Assets and Depreciation - General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, certain public domain fixed assets (including highways, bridges, highway lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets.

Enterprise, Internal Service and Nonexpendable Trust Fund fixed assets are stated at cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Structures and Improvements and 5 to 10 years for Machinery and Equipment. Certain state land and buildings, headquartering several proprietary operations, are reported in the General Fixed Assets Account Group at cost or estimated historical cost as described above. Because of the advanced age of the buildings involved, the omission of these fixed assets and related depreciation is not deemed material to financial position or results of operations of the applicable Enterprise and Internal Service Funds.

Generally, College and University Fund fixed assets are stated at cost and are not depreciated. Because of the magnitude of library holdings, however, it has been the state's policy to value library books at a standard amount per volume, currently $20, which approximates cost.

A statement of changes in general fixed assets for the year ended June 30, 1989 is presented in Note 2E.

L. Accumulated Unpaid Vacation and Sick Pay - The state's liability for accumulated unpaid annual and compensatory time is reported in the accompanying General Long-Term Obligations Account Group for all governmental fund types. In the proprietary fund types and the college and university funds, this obligation is reported as a current liability.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the state's policy to record the cost of sick leave only when paid. See Note 6A. for disclosure of the amount of this contingency.

M. Fund Balance Reserves and Designations - The state's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying Combined Balance Sheet, reserves for related assets such as inventories and petty cash are examples of the former. Reserves for encumbrances, contracts, continuing appropriations and other specific purposes are examples of the latter. The state's fund balance designations reflect tentative plans for future use of financial resources. The General Fund designation for revenue fluctuations, has been established as protection in the event of future revenue shortfalls or expenditure overruns.

N. Totals (Memorandum Only) - The "Totals (Memorandum Only)" column represents an aggregation of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Individual Fund Deficits - The following individual funds have deficit retained earnings/fund balances at June 30, 1989 (expressed in thousands):

Enterprise Funds:	
Comprehensive Health Insurance	$ (1,872)
Property Utilization	$ (482)
State Employees Cafeteria	$ (342)
Internal Service Funds:	
Building Management	$ (2,215)
Communications Management	$ (303)
Trust and Agency Funds:	
Employee Group Insurance	$ (1,788)
Teacher Group Insurance	$ (1,305)
College and University Funds:	
Unrestricted	$ (12,663)

Increases in fees and charges for services and products are expected to eliminate deficits in fiscal years 1990 and beyond.

B. Budgetary Basis vs. GAAP - The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and All Special Revenue Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands).

	General Fund	All Special Revenue Funds
Fund Balances (Budgetary Basis), June 30, 1989	$ 413,306	$ 74,924
Add:		
Reserve for encumbrances and contracts	28,005	209,294
Unbudgeted court fee income	61	
Highway construction appropriations carried forward		95,312
Fund Balances (GAAP Basis), June 30, 1989	$ 441,372	$ 379,530

C. Fund Equity Restatement - During fiscal year 1989, the state restated the beginning fund equity of the Tennessee State School Bond Authority, an Internal Service Fund. This change was made to correct an error in calculating interest in the statements for June 30, 1988.

This change has been reported in the accompanying financial statements by restating beginning fund equity as shown below (expressed in thousands).

	Internal Service Fund	All Fund Types and Account Group Totals (Memorandum Only)
Fund Equity as previously reported June 30, 1988	$ 75,408	$ 11,176,023
Error in Calculating Interest	241	241
Fund Equity as restated June 30, 1988	$ 75,649	$ 11,176,264

D. Change in Accounting Principle - During fiscal year 1989, the state changed its method of accounting for taxes and licenses from the cash basis to the modified accrual basis. Tax monies are recognized as revenue if received within 31 days of year-end. Licenses that are due on a certain date and cover more than one fiscal year are deferred on a proportional basis. Those licenses that have due dates throughout the year (e.g., drivers licenses) are recognized as revenue in the year received. This method of accounting treatment for taxes and licenses is a more preferable method in that it meets the measureable and available criteria. In addition, it allows for a better matching of current available resources and current liabilities.

The effect of the accounting change on the Excess of Revenues and Other Sources over Expenditures and Other Uses as previously reported for June 30, 1988 is:

	General Fund	Special Revenue Fund	Debt Service Fund
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses as previously reported June 30, 1988	$ 40,045	$ 14,500	$ (2,968)
Adjustment for effect of a change in accounting principles assuming the change is applied retroactively	27,017	(1,171)	142
Adjusted Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	$ 67,062	$ 13,329	$ (2,826)

The effect of the accounting change on fund balance as previously reported for June 30, 1988 is:

	General Fund	Special Revenue Fund	Debt Service Fund
Fund Balance as previously reported June 30, 1988	$ 230,194	$ 327,073	$ 2,390
Adjustment for effect of a change in accounting principles assuming the change is applied retroactiviely	271,153	33,543	1,811
Adjusted Fund Balance, June 30, 1988	$ 501,347	$ 360,616	$ 4,201

E. General Fixed Assets - A statement of changes in general fixed assets for the year ended June 30, 1989 is shown below (expressed in thousands).

	Land	Structures and Improvements	Machinery and Equipment	Construction in Progress	Totals
Balance, July 1, 1988	$79,151	$686,865	$192,214	$32,450	$ 990,680
Additions	3,102	30,104	39,505	98,907	171,618
Deductions	(666)	(9,437)	(17,975)	(25,184)	(53,262)
Balance, June 30, 1989	$81,587	$707,532	$213,744	$106,173	$1,109,036

F. Segment Information - Segment financial information for the state's Enterprise Funds for the year ended June 30, 1989 is presented below (expressed in thousands). These enterprise funds provide the following types of goods or services (in the order shown below): Housing loans, local government loans, sewage treatment loans, sewage treatment facilities loans, insurance, small business energy loans, inactive, property distribution, and food service.

	Tennessee Housing Development Agency	Local Development Authority	State Loan Program	Sewer Treatment Loan
Operating Revenues	$ 126,452	$ 9,258	$ 4,549	$ 505
Depreciation and Amortization	176	140		
Operating Income (Loss)	13,855	738	810	338
Operating Grants, Entitlements, and Shared Revenues	21,782			
Operating Transfers In		25		718
Tax Revenues	7,954			
Assessments				
Net Income (Loss)	21,173	763	810	1,056
Current Capital Transfers				5,351
Property, Plant and Equipment:				
Additions	37			
Deletions	7			
Net Working Capital	218,435	(29,141)	8,190	5,868
Total Assets	1,591,694	125,897	68,922	7,116
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	1,344,616	51,967	57,540	
Total Equity	121,948	4,570	6,642	6,407

Comprehensive Health Insurance	Small Business Energy Loan Program	Housing Rehabilitation Corporation	Property Utilization	State Employees Cafeteria	Totals
$ 4,601	$ 1	$ 56	$ 1,673	$ 10	$ 147,105
			26	12	354
(4,488)	1	56	(242)	(2)	11,066
	203				21,985
					743
					7,954
277					277
(4,211)	204	56	(242)	(2)	19,607
			258		5,609
			41	50	128
			8	11	26
(1,872)	29	663	67	21	202,260
2,428	204	664	464	82	1,797,471
					1,454,122
(1,872)	204	663	222	82	138,866

G. Interfund Accounts - A summary of interfund receivables and payables at June 30, 1989 is shown below (expressed in thousands).

	RECEIVABLES					
		Special Revenue Fund		Enterprise Fund	Internal Service Funds	
PAYABLES	General Fund	Highway Fund	Capital Projects Fund	Property Utilization	Motor Vehicle Management	Employment Security
General						$ 94
Special Revenue:						
Highway						
Wildlife Resources Agency					$ 134	
Driver Education						
Hazardous Waste						
Capital Projects						
Enterprise:						
Housing Development Agency						
Property Utilization						
Internal Service:						
Office of Information Resources	$ 421					
Motor Vehicle Management						
General Services Printing						
Building Management						
Communications Management						
Postal Services						
Trust and Agency:						
Local Government Investment		$ 580	$ 9,548			
Student Assistance Corporation						
Chairs of Excellence	12					
College and University Funds	50			$ 2	27	
Totals	$ 483	$ 580	$ 9,548	$ 2	$ 161	$ 94

RECEIVABLES

Trust and Agency Funds						
Employee Flexible Benefits	Student Assistance Corporation	Pension Trust	Contingent Revenue	Deferred Compensation	College and University Funds	Totals
$ 77		$2,457	$ 3,715	$ 126		$ 6,469
9		393	592	18		1,012
2		43	67	3		249
		1	1			2
		4	6			10
		7	11			18
		4	5			9
2		23	35	2		483
		3	4			7
		6	9			15
		2	3			5
		2	3			5
		2	4			6
					$ 127,614	137,742
		2	3			5
	$ 2,110					2,122
		4,023		36	1,920	6,058
$ 90	$ 2,110	$ 6,972	$ 4,458	$ 185	$ 129,534	$154,217

H. Fund Balance Reserves and Designations - Specific purpose reserves represent current and past legislative appropriations requiring year-end segregation. A summary of the nature and purpose of these reserves at June 30, 1989 by fund type follows (expressed in thousands).

Reserved for Other Specific Purposes	General	Special Revenue	Capital Projects	Trust and Agency	College and University
Capital Outlay			$113,969		$ 37,961
Highway Construction		$95,312			
Wildlife Resources Program		17,885			
Hazardous Waste Program		6,036			
Criminal Injuries Program		9,427			
Unemployment Benefits				$ 684,504	
Pension Benefits				7,077,965	
Restricted Gifts, Grants and Contracts					212,431
Student Loan Program				22,596	
Higher Education Chairs of Excellence				97,997	
Advances to Other Funds	$ 2,720				
Other Non-Lapsing and Special Revenue Programs	4,830	13,055		10,630	
Totals	$ 7,550	$141,715	$113,969	$7,893,692	$ 250,392

The designation for other specific purposes represents the following appropriations made by the Legislature to carry out tentative managerial plans for fiscal year 1990 (expressed in thousands):

Future Capital Projects and Other Non-Recurring Projects	$127,500
Compensated Absences	80,146
Casualty Losses	5,000
Industries for the Blind	178
Clerk Fee Account	61
	$212,885

I. Accounts Receivable - As of June 30, 1989, certain Trust Fund receivables of $79 million, representing taxes and benefit overpayments, have been reduced by $15 million allowance for uncollectibles. Agency Fund receivables of $117 million have been reduced by $4 million allowance for uncollectibles. College and University receivables of $178 million have been reduced by a $43 million uncollectible allowance.

NOTE 3 - NOTES, BONDS AND CAPITAL LEASE OBLIGATIONS PAYABLE

Notes and bonds payable at June 30, 1989 are shown below.

	Amount (in Thousands) Notes	Bonds
Enterprise Funds:		
General obligation bonds, 4.875% to 7.5%, due in generally decreasing amounts of principal and interest ranging from $7 million in 1990 to $1 million in 2010		$ 60,590
Tennessee Local Development Authority revenue bonds, 4% to 9.4%, due in decreasing amounts of principal and interest from $6 million in 1990 to $1 million in 2015		52,984
Tennessee Local Development Authority revenue bond anticipation notes, 6.73%, due May 1990	$ 64,131	
Tennessee Housing Development Agency mortgage finance program revenue bonds, various Series, 5% to 14%, due in amounts of principal and interest ranging from $150 million in 2008 to $6 million in 2022		1,391,707
	64,131	1,505,281
Internal Service Funds:		
Tennessee State School Bond Authority 1987 refunding revenue bonds, 4.0% to 6.75%, crossover date May 1, 1992, principal and interest due in amounts ranging from $6.5 million in 1994 to $4.4 million in 1992.		68,756
		68,756
General Long-Term Debt:		
General obligation bonds, 0.1% to 8.4%, due in decreasing amounts of principal and interest from $100 million in 1990 to $2 million in 2009		554,236
College and University Funds:		
Capital outlay notes, 63% of the prime rate, maximum 11%, due serially to 1992	2,316	
Tennessee State School Bond Authority bond anticipation notes, variable daily demand rate, due 1994	61,960	
Tennessee State School Bond Authority revenue bonds, various Series, 4.1% to 9.625%, due in decreasing amounts of principal and interest from $20 million in 1990 to $6 million in 2012		194,748
Tennessee State School Bond Authority 1985 daily demand bonds, maturing to 1999		12,200
Tennessee State School Bond Authority 1985 Tax-Exempt Exchangeable Securities, maturing to 2015		31,960
Non-Authority revenue bonds, 2.75% to 5%, due in generally decreasing amounts of principal and interest from $545 thousand in 1990 to $82 thousand in 2005		5,020
	64,276	243,928
Total Notes and Bonds Payable	$ 128,407	$2,372,201

The full faith and credit of the state, together with certain tax revenues, are pledged to secure all general obligation notes and bonds listed above. Although the Enterprise Fund general obligation debt is being retired from resources of that fund (State Loan Program Fund), the state remains contingently liable for its payment. The revenue notes and bonds listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Local Development Authority (TLDA), the Tennessee Housing Development Agency (THDA), the Tennessee State School Bond Authority (TSSBA) and the various colleges and universities.

Variable rate daily demand bonds. Included in the College and University Funds revenue bonds is $12.2 million of variable rate daily demand bonds issued by the TSSBA in 1985. The proceeds were used to (1) provide funding for hospital equipment at the University of Tennessee, (2) establish a debt service reserve fund in accordance with the general bond resolution, and (3) pay costs incurred to issue the bonds. The bonds are scheduled to mature on May 1, 1999. However, it is the intent of the University of Tennessee to retire the debt on May 1, 1993. The University of Tennessee, under a separate agreement with the escrow agent, has deposited monies to fulfill monthly interest requirements prior to the semi-annual payment dates. Under terms of the general bond resolution, these monthly obligations are not recognized as authority transactions until the semi-annual payment dates. The bonds are subject to purchase by the remarketing agent on the demand of the holder on any business day, pursuant to the conditions set forth in the Official Statement. The remarketing agent, Morgan Guaranty Trust Company of New York, is authorized to use its best efforts to sell the repurchased bonds. Under a standby bond purchase agreement, the commitment to purchase bonds shall terminate on the earlier of (i) May 1, 1993, or (ii) the close of business on the effective date of the conversion of the Bonds to the Fixed Interest Rate. Morgan Guaranty is required to pay the purchase price of the bonds if it is unable to resell any bonds that are "put". Generally, the interest rate paid to the bank during period it holds the bonds will be the prime lending rate. The authority is obligated to pay Morgan Guaranty .25% per annum of the daily outstanding balance to maintain the standby liquidity.

Tax-Exempt Exchangeable Securities. The $31.960 million TSSBA bond issue above represents (1) $2.060 million of bonds maturing serially through 1993 at interest rates ranging from 6.7% to 7.3%; and (2) $29.9 million of tax-exempt exchangeable securities, maturing in 2015, at 7%, requiring increasing sinking fund payments from 1994 to 2015. Beginning November 1988 and semi-annually thereafter, however, each holder of the 7% securities may exercise a one-time election to convert to another interest rate, not to exceed 10%, as established by an independent municipal securities evaluation service pursuant to a prescribed formula.

Notes. TSSBA notes payable of $61.96 million consist of monies drawn from a changeable annual multiple put security agreement (CHAMPS) with Chemical Bank of New York to fund projects under construction. Under the CHAMPS agreement, the notes may bear interest at a variable rate (daily, weekly, or multiannual) or at a continuously adjustable rate determined by the remarketing agent, Chemical Bank, for periods selected by the authority. Currently, interest is payable monthly at the institution's prime daily lending rate. The notes are subject to purchase by the remarketing agent on the demand of the holder on any business day pursuant to the conditions set forth in the Official Statement. The remarketing agent is authorized to use its best efforts to sell the repurchased notes. If it is unable to resell any notes that are "put", Fuji Bank, Limited, New York Branch, under the standby note purchase agreement, is required to buy the notes. Fuji Bank, subject to its right to resell the notes, may hold the notes until March 1, 1993 (the note maturity date). It is expected that a portion of these notes will be replaced with bonds at the end of the construction period. The authority is obligated to pay Fuji Bank .1% of the utilized commitment and .05% of the unutilized commitment on a quarterly basis to maintain the standby liquidity.

As indicated above, substantially all notes payable at June 30, 1989 are due within one year. Debt Service requirements to maturity for all general obligation and revenue bonds payable at June 30, 1989 are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
1990	$ 64,417	$ 36,670	$ 40,306	$ 131,776	$ 273,169
1991	61,912	33,206	43,547	131,964	270,629
1992	57,272	29,796	49,146	128,629	264,843
1993	50,926	26,696	54,913	124,969	257,504
1994	51,091	23,739	52,326	120,835	247,991
1995-1999	172,030	80,041	297,386	547,596	1,097,053
2000-2004	110,780	34,969	324,545	445,123	915,417
2005-2009	45,073	5,867	328,522	498,372	877,834
2010-2014	1,325	99	262,182	490,113	753,719
2015-2019			219,318	228,634	447,952
2020-2022			63,439	4,858	68,297
	$614,826	$271,083	$1,735,630	$2,852,869	$5,474,408

The above principal for revenue bonds is less than that presented on the accompanying financial statements by $21,745. This presents accretion to date of interest on deep discount bonds and the write-off of discounts in those years preceding the first principal payment on these bonds.

In prior years, the TLDA defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust with the State Treasurer to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are included in the state's financial statements in an agency fund, but are not recorded as assets or liabilities of TLDA. On June 30, 1989, $36.666 million of bonds outstanding are considered defeased.

Debt Refunding. Proceeds of the $70.686 million TSSBA 1987 refunding bond issue were placed in irrevocable trusts for the redemption of the outstanding bonds of the 1983 Series A issue maturing after May 1, 1992. This issue represents an advance refunding investment through May 1, 1992, during which time both issues will be reported in the state's financial statements. In the crossover year, the proceeds from this investment will be used to retire all the outstanding 1983 Series A bonds. The refunding was to take advantage of lower interest rates in effect at the time of the transaction. The cumulative savings to the authority and to the educational institutions resulting from the refunding were $22.186 million for the refunding of $65.975 million of the 1983 Series A Bonds maturing after May 1, 1992. (The net present value savings of the refunding was $8.827 million.) During the period prior to defeasance, the educational institutions will continue to provide funds necessary to meet the debt service requirements of the refunded issue. Interest earnings from the investment will be used to satisfy the debt requirement of the refunding issue during this period. Earnings in excess of such requirement will be deposited in a special reserve account and will be applied to meet applicable call premiums. Proceeds of the $70.686 million 1987 refunding bond issue were invested in United States Treasury Notes - State and Local Government Series maturing May 1, 1992.

A summary of changes in general long-term obligations for the year ended June 30, 1989 follows (expressed in thousands).

	Balance, July 1, 1988	General Obligation Bonds Retired	Other Changes in General Long-Term Obligations	Balance, June 30, 1989
General Obligation Debt Payable	$ 615,603	$ 61,367		$ 554,236
Accrued Annual and Compensatory Leave	91,698		$ 5,973	97,671
Capital Lease Obligations	42		(14)	28
Total General Long-Term Obligations	$ 707,343	$ 61,367	$ 5,959	$ 651,935

Bond sales during the year ended June 30, 1989 included the following issues:

July 1988 - THDA revenue bonds of $75 million.
October 1988 - THDA revenue bonds of $99.775 million.
December 1988 - THDA revenue bonds of $74.944 million.
May 1989 - THDA revenue bonds of $85.74 million.

The July 1988 $75 million THDA bond issue above represents (1) $15.535 million of bonds maturing serially through 2003 at interest rates ranging from 5.8% to 8%; and (2) $59.465 million of term bonds due 2013 and 2019, carrying interest rates ranging from 8% to 8.375%.

The October 1988 $99.775 million THDA bond issue above represents (1) $24.97 million of bonds maturing serially through 2003 at interest rates ranging from 6.25% to 7.7%; (2) $71.745 million of term bonds due as follows: $4.555 million at 7.625% due 2008, $14.435 million at 7.75% due 2017, and $52.755 million at 8.125% due 2021; and (3) $3.06 million of deep discount bonds, maturing in 2008, requiring increasing sinking fund payments from 2004 through 2008.

The December 1988 $74.944 million THDA bond issue above represents (1) $21.24 million of bonds maturing serially through 2003 at interest rates ranging from 6.6% to 8%; (2) $3.189 million of deep discount bonds, maturing in 2008, requiring increasing sinking fund payments from 2004 through 2008; and (3) $50.515 million of term bonds due 2012 and 2020, carrying interest rates ranging from 8.125% to 8.25%.

The May 1989 $85.74 million THDA bond issue above represents (1) $29 million of bonds maturing serially through 2008 at interest rates ranging from 6.7% to 7.5%; and (2) $56.74 million of term bonds due as follows: $8.725 million at 7.6% due 2011, $28.74 million at 7.125% due 2017, and $19.275 million at 7.65% due 2020.

Extraordinary items - Losses on early retirement of bonds are as follows:

THDA bonds payable were retired at par before maturity in the year ended June 30, 1989 in the Single Family Program Bonds in the amount of $19.704 million and in the Homeownership Program Bonds in the amount of $5.76 million. The carrying values of those bonds were $19.37 million and $5.669 million, respectively. This resulted in losses to the respective bond groups of $334 thousand and $91 thousand.

THDA bonds payable were retired at par before maturity in the year ended June 30, 1988 in the Single Family Program Bonds in the amount of $60.268 million and in the Homeownership Program Bonds in the amount of $8.345 million. The carrying values of those bonds were $59.206 million and $8.215 million, respectively. This resulted in losses to the respective bond groups of $1.062 million and $130 thousand.

Under the bond resolutions, the Agency has the option to redeem bonds at an initial price of 103 percent and subsequently at prices declining to par. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for ten years. Certain special redemption options, as governed by the bond resolutions, are permitted prior to that time.

The bonds are secured, as described in the applicable bond resolutions, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the resolutions.

Subsequent to June 30, 1989, a $46 million general obligation bond sale was completed in July; THDA completed a revenue bond sale in September for $84 million; TSSBA completed a $37.5 million bond sale in December for the purpose of providing for the retirement of $33.3 million of the Authority's bond anticipation notes, and the Tennessee State Veterans' Homes Board completed a $2.515 million revenue bond sale in September.

A summary of general obligations bonds authorized and unissued at June 30, 1989 is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be canceled because of sufficient fund balances.

Purpose	Unissued July 1, 1988	Authorized	Canceled	Unissued June 30, 1989
Sewage Treatment	$ 20,680			$ 20,680
Waterworks	31,520			31,520
Highway	352,500	$ 87,700	$ 54,100	386,100
Education	65,495	16,700		82,195
Correction	27,336	75,000		102,336
General Services	15,000			15,000
General Government	48,807	21,700	14,300	56,207
Other	15,462			15,462
Totals	$ 576,800	$ 201,100	$ 68,400	$ 709,500

Lease obligations for facilities and equipment are payable from resources of the General and College and University Funds. Debt service requirements to maturity for all capital lease obligations payable at June 30, 1989 are as follows (expressed in thousands):

For the Year(s) Ended June 30	Lease Obligations Payable
1990	$ 980
1991	943
1992	837
1993	362
1994	225
1995-1997	444
Total Minimum Lease Payments	3,791
Less - Interest (4.2% to 11.8%) and Executory Costs	550
Present Value of Future Minimum Lease Payments	$ 3,241

NOTE 4 - PENSION PLANS

A. Tennessee Consolidated Retirement System - The Tennessee Consolidated Retirement System (TCRS) is a defined benefit, agent multiple-employer public employee retirement system. Members of the system consist of teachers and general employees of the state, higher education employees and employees of participating political subdivisions. The State of Tennessee is responsible for the retirement benefits of state employees, higher education employees and teachers, while participating political subdivisions are responsible for the retirement benefits provided their employees.

Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. At June 30, 1989 the number of participating local government employers and the TCRS membership was:

Cities	107	Retirees and beneficiaries currently receiving benefits	51,155
Counties	81	Terminated members entitled to benefits but not yet receiving them	4,246
Utility Districts	23		
Special School Districts	19	Current members: Vested	68,639
Joint Ventures	19	Nonvested	85,243
Other	41	Total	209,283
Total	290		

The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 10 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system on or after July 1, 1979 become vested after 10 years of service, and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by state statute.

Effective July 1, 1981 the retirement system became noncontributory for most state and higher education employees. Political subdivisions may elect contributory or noncontributory retirement for their employees. The contribution rate is 5 percent of gross salary for teachers and contributory employees of political subdivisions. In addition, the employers contribute a set percentage of their payroll determined by an actuarial valuation. State statute provides that the contribution rates be adopted by the Board of Trustees of the TCRS.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the funding status of the TCRS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the system.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1989. Significant actuarial assumptions used include (a) a rate of return on investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 7 percent per year compounded annually, (c) a projected 6 percent annual increase in the Social Security wage base, and (d) projected post retirement benefit increases of 3 percent of the retiree's initial benefit.

At June 30, 1989 the pension benefit obligation exceeded the net assets by $29.2 million as follows (in millions):

	State	Political Sub-Divisions	Total
Pension benefit obligation:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$2,382.5	$ 285.3	$2,667.8
Current employees:			
Accumulated employee contributions including allocated investment earnings	1,154.6	197.4	1,352.0
Employer-financed vested	2,635.3	249.1	2,884.4
Employer-financed nonvested	179.5	23.5	203.0
Total pension benefit obligation	$6,351.9	$ 755.3	$7,107.2
Net assets available for benefits at cost or amortized cost (market value is $7,710.8)	$6,248.8	829.2	7,078.0
Unfunded (Assets in excess of) pension benefit obligation	$ 103.1	$ (73.9)	$ 29.2

The TCRS Board of Trustees adopted more conservative actuarial assumptions in 1988 which were utilized in the June 30, 1989 actuarial valuation. At June 30, 1989 the pension benefit obligation totaled $7.107 billion based on the new assumptions, an increase of $237 million ($225 million for the state and $12 million for Political Subdivisions) when compared to a pension benefit obligation of $6.870 billion ($6.127 billion for the state and $743 million for Political Subdivisions) as calculated utilizing the previous assumptions.

It is the policy of the State to fund pension benefits by actuarily determined contributions which are intended to provide funding for both the normal liability cost and the unfunded actuarial accrued liability cost, so that sufficient assets will be available to pay benefits when due. The frozen initial liability method, a projected benefit cost method, is used to value the plan. The employer contributions include funding a cost-of-living provision and amortization of the accrued liability using the level dollar contribution method over a 40 year period which began in 1975. A 30 year amortization period is used for political subdivisions joining the system after June 30, 1983.

For the year ended June 30, 1989 contributions totaling $426.2 million were made in accordance with contribution requirements determined through an actuarial valuation performed at June 30, 1987. Significant actuarial assumptions used to compute contribution requirements are not the same as those used to compute the standardized measure of the pension obligation discussed above because the new assumptions adopted by the Board of Trustees were incorporated in the June 30, 1989 valuation. This valuation computed the contribution rates that will become effective July 1, 1990. Significant actuarial assumptions for contribution rates that are different than the assumptions above are the rate of return of 8 1/2 percent instead of 8 percent and projected salary increases of 8 percent instead of 7 percent. The state contributed $307.7 million (11.6 percent of current covered payroll) to the plan and state employees and teachers contributed $68.8 million (2.6 percent of current covered payroll). The covered payroll for employees by the TCRS for whom the state is responsible for the year ended June 30, 1989 was $822.1 million for state employees, $480.8 million for higher education employees and $1,352.2 million for teachers. The covered payroll for political subdivisions was $587.1 million. Total payroll for the state employees was $833.2 million, and $797.8 million for higher education employees. Political subdivisions contributed $28.6 million to the plan and employees of political subdivisions contributed $21.1 million. These contributions consisted of (a) $286.8 million normal cost (8.8 percent of current covered payroll) and (b) $139.4 million amortization of the unfunded actuarial accrued liability (4.3 percent of current covered payroll).

Trend information designed to give an indication of the progress made by the state in accumulating sufficient assets to pay benefits when due is presented below (expressed in millions):

Fiscal Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)÷(2)	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4)÷(5)
1987	$ 4,952.8	$ 5,216.7	94.9%	$ 263.9	$ 2,329.5	11.3%
1988	5,631.1	5,691.2	98.9%	60.1	2,456.3	2.4%
1989	6,248.8	6,351.9	98.4%	103.1	2,655.1	3.9%

In addition, for the three years ended 1987, 1988 and 1989, the state's contributions to the TCRS, all made in accordance with actuarially determined requirements, were 13.7, 13.8 and 11.6 percent respectively of annual covered payroll.

Historical trend information for the retirement system as a whole is presented in the TCRS component unit annual financial report for the year ended June 30, 1989. Revenue and expense trend information for the total retirement system is provided in this report as supplementary information.

B. Other than TCRS - Eligible faculty of the various state universities and community colleges may elect to become members of either TIAA-CREF, a privately-administered defined contribution retirement plan, or the TCRS. The state assumes no liability for this group of TIAA-CREF members other than payment of contributions. State statute requires the state supported institutions to make contributions to TIAA/CREF at the rate of ten percent of gross salary below the social security wage base and eleven percent of gross salary above the social security wage base. During the year ended June 30, 1989 the state contributed $28.6 million (10.06% of current covered payroll) to the TIAA-CREF plan. The total current year covered payroll was $284.3 million.

A second, now-closed group of University of Tennessee faculty also participates in TIAA-CREF with certain supplemental benefits guaranteed by the state. Prior to 1978 these guaranteed benefits were funded by the university on a pay-as-you-go basis; they since have been assumed by the TCRS and are included in the June 30, 1989 actuarial calculations disclosed in A. above.

C. Deferred Compensation - The state offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401 (k). All costs of administering and funding these programs are the responsibility of plan participants.

Section 457 plan balances have been reported in the accompanying financial statements in an Agency Fund at June 30, 1989. All amounts of compensation deferred under this plan, all property purchased with those amounts, and all income attributable thereto are, until paid or made available to the employee or other beneficiary, solely the property of the state, subject only to claims of the state's general creditors. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of their deferred accounts. The state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The state believes it is unlikely that it will use these assets to satisfy such claims in the future.

Since Section 401(k) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. Through June 30, 1989 some $32.3 million, including accumulated interest earnings, had been contributed by participating state employees to those financial institutions administering the plan's various investment options.

D. Post Retirement Health Insurance Benefits - The state offers an opportunity to its employees and eligible retirees to participate in a self-insured indemnity policy or health maintenance organizations. The indemnity policy provides benefits to plan participants in a comprehensive, major medical format involving a $150 calendar year deductible and a $1,000 per individual out-of-pocket limit. The plan incorporates typical provisions relating to utilization review, medical necessity, pre-existing conditions, coordination of benefits and subrogation of expenses. The plan offers benefit incentives for the use of designated providers and the plan maintains limitations on benefits provided for the treatment of mental illness and substance abuse.

Retirees who are not yet eligible for Medicare benefits may continue participation in the Plan subject to certain length of service and participation requirements. Upon Medicare eligibility, the retiree is afforded the opportunity to participate in a fully-insured supplement policy not associated with the Plan. The state pays a service determined amount for retirees who participate in the state sponsored Medicare supplement policy.

The funds collected for the Plan's operation are recorded in the employee group insurance account. The plan's premiums are intended to fund benefits on a pay-as-you-go basis and no specified reserves have been established to fund post retirement health benefits. Current retiree premium rates are approximately 50 percent of the plan's total premium rates; the state provides no direct funding of post retirement health benefits.

During the 1988-89 fiscal year, the plan provided approximately $5.8 million in benefits to retired employee participants.

NOTE 5 - DEPOSITS AND INVESTMENTS

A. Investment Policy - The Pooled Investment Fund administered by the State Treasurer is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that Board gives the Treasurer approval to invest in collateralized certificates of deposit in state depositories, bonds, notes and bills of the United States Treasury or other obligations guaranteed as to principal and interest by the United States or any of its agencies and in repurchase agreements for obligations of the United States or its agencies which are fully guaranteed as to principal and interest by the United States. This resolution states further that except for short term distortions created by unexpected system withdrawal and as otherwise provided in this section, maturities of the State Pooled Investment Fund shall not exceed one year. Provided however, an amount not to exceed the lesser of $150 million or twenty percent (20%) of the book value of the State Pooled Investment Fund at the time such investments are made, may be invested in maturities greater than one year but not greater than five years.

Statutes require that collateral have a face value of one hundred ten percent (110%) of the value of the state deposit secured thereby and a market value of one hundred percent (100%) of the value of the state deposit secured thereby less so much of such amount as is protected by the federal deposit insurance corporation or the federal savings and loan insurance corporation. Certificates of deposit are not placed or renewed with a financial institution until adequate collateral is pledged. Open accounts maintained for deposit of state revenues are collateralized on an estimate of the average daily balance in the account based on previous balances and monitored for variation to actual balances.

The Treasurer is required, by statute, to evaluate the market value of required collateral monthly, and more frequently if market conditions require. Further, statutes provide the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency.

The following funds also make investments following these same basic guidelines: colleges and universities, Tennessee State School Bond Authority, Local Development Authority, and Tennessee Housing Development Agency. The Pension Fund, in addition to the guidelines outlined for the Pooled Investment Fund, may invest in long-term investments. The Pension Fund may invest in bonds, debentures, preferred stock and common stock, and other good and solvent securities subject to the Pension Board of Trustees approval. The Board has also authorized limited investments of securities in some foreign countries.

B. Deposits - The Governmental Accounting Standards Board (GASB) Statement 3 requires deposits with Financial Institutions to be categorized to indicate the level of risk assumed by the state as defined in GASB Statement 3. Category 1 consists of deposits that are insured or collateralized with securities held by the state or by its agent in the state's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the state's name. Category 3 deposits are uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agency but not in the state's name.

At year end, the carrying amount of deposits in all funds except colleges and universities was $655.795 million and the bank balance, including accrued interest, was $675.185 million. Of the bank balance, $666.825 million was (category 1) covered by insurance or collateral (valued at market) held in the state's name by independent custodial banks or segregated in the Federal Reserve Bank in the state's name, $7.664 million was (category 2) held by an agent in the state's name, and $696 thousand was (category 3) uninsured and uncollateralized. The carrying value of deposits includes $1.55 million of long-term certificates of deposit. In addition, $201 thousand of cash on deposit with fiscal agent is shown as long-term investments.

At year end, the carrying amount of deposits for colleges and universities was $69.485 million and the bank balance was $87.924 million. Of the bank balance, $70.436 million was (category 1) covered by insurance or collateral (valued at market) held in the state's name by independent custodial banks or segregated in the Federal Reserve Bank in the state's name, $16.075 million was (category 2) held by an agent in the state's name, and $1.413 million was uninsured and uncollateralized. The carrying value of deposits includes $24.319 million of long-term certificates of deposits. In addition, $26.205 million of cash on deposit with fiscal agent is shown as long-term investments.

C. Investments - The Governmental Accounting Standards Board Statement 3 also requires investments to be categorized to indicate the level of risk assumed by the state. Category 1 consists of investments that are insured or registered or for which the securities are held by the state or its agent in the state's name. Category 2 consists of uninsured or unregistered investments for which the securities are held by the counterparties' trust department or agent in the state's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent but not in the state's name. Investments are categorized below for all funds except the colleges and universities (Expressed in thousands):

PENSION TRUST, POOLED INVESTMENT, TENNESSEE HOUSING DEVELOPMENT AGENCY AND OTHER FUNDS

	Category			Carrying Amount	Market Value 6/30/89
	1	2	3		
Short-Term Investments					
Commercial Paper	$ 500,645			$ 500,645	$ 501,247
Repurchase Agreements	615,651			615,651	615,651
Government Securities	897,700			897,700	855,168
Corporate Notes	26,926			26,926	26,903
Total Short-Term Investments	2,040,922			2,040,922	1,998,969
Long-Term Investments					
Domestic Securities					
Government Securities	1,725,179	$ 201		1,725,380	1,808,260
Corporate Bonds	1,763,388			1,763,388	1,811,360
Corporate Stocks	1,993,201			1,993,201	2,460,965
Mortgages	2,057			2,057	1,898
Other	7,927			7,927	7,926
International Securities					
Government Bonds	178,984			178,984	174,264
Corporate Bonds	114,074			114,074	115,815
Corporate Stocks	395,069			395,069	418,051
American Depository Receipts	7,118			7,118	7,971
Currency (Loss)					(23,028)
Total Long-Term Investments	6,186,997	$ 201		6,187,198	6,783,482
	$8,227,919	$ 201		$8,228,120	$8,782,451
Investments Held by Broker-Dealers Under Securities on Loan Contracts - Government Bonds				727,142	777,068
Investments in Deferred Compensation				44,432	44,432
Unemployment Compensation Pool in Washington, D.C.				629,232	629,232
Total Investments				$9,628,926	$10,233,183

The investments for the colleges and universities are categorized below (Expressed in thousands):

	Category			Carrying Amount	Market Value 6/30/89
	1	2	3		
Short-Term Investments					
Repurchase Agreements	$ 24,000	$ 5,300		$ 29,300	$ 29,300
Government Securities	50,423			50,423	50,604
Total Short-Term Investments	74,423	5,300		79,723	79,904
Long-Term Investments					
Domestic Securities					
Government Securities	88,751	26,226	$1,147	116,124	118,381
Corporate Bonds	13,288	5	1,286	14,579	14,367
Corporate Stocks	33,260	2,418	561	36,239	49,449
Mortgages	628	22		650	663
Real Estate	3,564	1,190		4,754	4,754
Other	2,235	540	36	2,811	2,879
International Securities					
Government Bonds	573			573	558
Corporate Stocks	97	1,500		1,597	2,109
Total Long-Term Investments	142,396	31,901	3,030	177,327	193,160
Total Investments	$ 216,819	$37,201	$3,030	$ 257,050	$ 273,064

NOTE 6 - COMMITMENTS AND CONTINGENCIES

A. Sick Leave - It is the state's policy to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent due to illness, injury or related family death, there was no liability for sick leave at June 30, 1989. The estimated accumulated amount of unused sick leave at that date was $427 million.

B. Operating Leases - The state has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the years ended June 30, 1989 and 1988 amounted to $28.3 million and $27.9 million, respectively.

C. Highway Construction Projects - At June 30, 1989 the Department of Transportation had contractual commitments of approximately $249 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($201 million) and general obligation bond proceeds ($48 million).

D. Litigation - The most significant recent litigation against the state is a case involving inadequate prison facilities. Relief granted by the court enables the state to remedy these conditions over an extended period of time. The flexibility allowed by the court will permit the state to carry out the remedial plan without material adverse impact on the state's financial position. The state is also party to numerous other legal proceedings, many of which normally recur in governmental operations. In the opinions of the Attorney General and General Counsel for the University of Tennessee system, final settlement of these matters will have no material effect on the accompanying financial statements.

E. Federal Grants - The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F. Loan Guarantees - The Tennessee Student Assistance Corporation (TSAC), a Nonexpendable Trust Fund entity, guarantees loans made to students. The U. S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts. At June 30, 1989 TSAC was guarantor of $870 million in student loans, substantially all of which were reinsured by the USDE. The state has no obligation under these student loan guarantees in the event of default.

G. Arbitrage Rebate - The state issues general obligation debt which may be subject to arbitrage rebate requirements as prescribed in the Tax Reform Act of 1986. However, because of proposed legislation before Congress to provide an arbitrage rebate alternative, the state has elected to defer reporting the rebate until such time as a final determination is made of an appropriate basis for those calculations. Omission of the rebate from the financial statements will not have a material effect on the presentation of the financial position of the state.

H. Other - The state has custodial responsibility over some $80 million of U. S. Department of Agriculture food stamp coupons for which the state is liable in the event of loss.

NOTE 7 - SUBSEQUENT EVENTS

A. Bonds - The state has sold some $124.015 million of revenue bonds and $46 million of general obligation bonds subsequent to June 30, 1989. The date of the sales and the amounts are disclosed in note 3.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

GENERAL FUND

The General Fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

Budgetary Procedures and Control

In many respects Tennessee is similar to other states regarding the process leading to adoption of the annual budget. Utilizing zero-based budgeting concepts, the executive branch prepares a budget which is the result of a series of interdepartmental budget meetings and executive budget hearings. The executive budget is based on estimates of all available revenue sources.

The executive budget is presented to the legislature at the beginning of each annual session. The legislature conducts budget hearings through its Finance, Ways and Means committees. Each committee recommends a version of the Appropriation Act to its respective body for passage. Included in the Appropriation Act is the funding level for each department. After passage by each chamber, differences between the two versions, if any, are resolved in conference committee. The final version is passed by both houses and sent to the Governor for approval. Before signing the Appropriation Act, the Governor may veto or reduce any specific appropriation item. These adjustments are subject to being overridden by the legislature.

Once the final budget is passed and signed, it becomes the financial plan for the coming year's activities. A quarterly work program detailed anticipated revenues by source and expenditures by object is then developed for each organizational entity. The work program is entered into the state's centralized accounting system. The budgetary-accounting integration and the resulting periodic reports facilitate both management control and legislative overview of the state's financial operations. Any deviation from the funding levels as specified in the Appropriation Act must receive prior approval from both the appropriate executive decision-makers and the Finance, Ways and Means committees. Thus, there is a continuing interaction between the executive and legislative branches on budgetary matters.

Constitutional Spending Limitation

Tennessee was the first state to adopt a constitutional spending limitation. This was not a response to any spending or taxing excesses but was a public endorsement of the state's long standing record of sound fiscal management.

The March 1978 amendment to the Constitution limited the growth in spending by state government to the rate of growth exhibited by the state's economy. The legislature was directed to establish some measure of economic growth from which the permitted growth in spending could be calculated. Estimated growth in personal income was the measure so established.

The 1989-90 budget is the state's eleventh budget to be prepared and enacted since passage of the spending limitation. The total budget is well within the statutory limit enacted to carry out the constitutional mandate. Although the effect of the constitutional spending limitation cannot be evaluated until it has been operative for a period of years, it is apparent that the long-term impact of the amendment on the continued operations and growth of state government could be substantial.

STATE OF TENNESSEE
BALANCE SHEET
GENERAL FUND
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	JUNE 30, 1989	JUNE 30, 1988
CASH AND CASH EQUIVALENTS	$ 388,277	$ 388,833
RECEIVABLES:		
DUE FROM OTHER GOVERNMENTS	203,815	201,278
INTEREST	36,180	35,878
OTHER	279,763	9,209
INTERFUND RECEIVABLES (Note 2)	483	1,237
ADVANCES TO OTHER FUNDS	2,720	3,301
PREPAYMENTS	51	2,171
TOTAL ASSETS	$ 911,289	$ 641,907
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 91,846	$ 58,739
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	277,801	255,564
ACCRUED PAYROLL AND RELATED DEDUCTIONS	23,812	22,120
INTERFUND PAYABLES (Note 2)	6,469	6,727
DEFERRED REVENUE	69,862	68,486
DEPOSITS PAYABLE	127	77
TOTAL LIABILITIES	469,917	411,713
FUND BALANCE (Note 1 and 2)		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	28,005	30,669
RESERVED FOR CONTINUING APPROPRIATIONS	92,918	42,797
RESERVED FOR OTHER SPECIFIC PURPOSES	7,550	10,453
UNRESERVED:		
DESIGNATED FOR REVENUE FLUCTUATIONS	100,000	96,800
DESIGNATED FOR OTHER SPECIFIC PURPOSES	212,885	49,463
UNDESIGNATED	14	12
TOTAL FUND BALANCE	441,372	230,194
TOTAL LIABILITIES AND FUND BALANCE	$ 911,289	$ 641,907

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1989	JUNE 30, 1988
REVENUES:		
TAXES	$ 3,139,106	$ 2,978,724
LICENSES, FINES, FEES AND PERMITS	51,479	43,407
INTEREST ON INVESTMENTS	72,082	71,459
FEDERAL	1,620,501	1,491,560
DEPARTMENTAL SERVICES	334,868	305,596
OTHER	32,863	27,569
TOTAL REVENUES	5,250,899	4,918,317
EXPENDITURES:		
GENERAL GOVERNMENT	201,025	190,532
EDUCATION	1,532,423	1,445,912
HEALTH AND SOCIAL SERVICES	2,255,709	2,036,714
LAW, JUSTICE AND PUBLIC SAFETY	423,264	391,219
RECREATION AND RESOURCES DEVELOPMENT	135,698	127,838
REGULATION OF BUSINESS AND PROFESSIONS	24,154	23,043
TOTAL EXPENDITURES	4,572,268	4,215,258
EXCESS OF REVENUES OVER EXPENDITURES	678,631	703,059
OTHER FINANCING SOURCES(USES):		
CAPITALIZED LEASE		42
OPERATING TRANSFERS FROM(TO):		
SPECIAL REVENUE FUNDS	(5,694)	3,212
DEBT SERVICE FUND	(217)	(644)
CAPITAL PROJECTS FUND	(47,398)	(32,560)
ENTERPRISE FUND	(718)	
NONEXPENDABLE TRUST FUND	(20,160)	(12,010)
EXPENDABLE TRUST FUND	47	
COLLEGE AND UNIVERSITY FUNDS	(658,857)	(621,010)
INTERNAL SERVICE FUNDS		(44)
TOTAL OTHER FINANCING USES	(732,997)	(663,014)
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(54,366)	40,045
CUMULATIVE EFFECT ON PRIOR YEARS(JUNE 30,1988) OF CHANGING TO A DIFFERENT BASIS OF ACCOUNTING FOR TAXES AND LICENSES (NOTE 2)	271,153	
EXCESS OF REVENUE AND OTHER SOURCES OVER(UNDER) EXPENDITURES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	216,787	40,045
FUND BALANCE, JULY 1	230,194	190,234
EQUITY TRANSFERS(TO):		
INTERNAL SERVICE FUNDS		(35)
ENTERPRISE FUNDS	(5,609)	(50)
FUND BALANCE, JUNE 30 (Note 2)	$ 441,372	$ 230,194

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
TAXES:		
SALES AND USE	$ 2,097,041	$ 2,012,299
GASOLINE	4,447	4,178
MOTOR VEHICLE REGISTRATION	14,102	9,744
INCOME	61,919	51,769
PRIVILEGE	51,014	48,378
GROSS RECEIPTS	135,194	115,843
BEER	8,450	8,548
ALCOHOLIC BEVERAGE	22,661	23,205
MIXED DRINK	11,584	11,218
FRANCHISE	158,735	147,782
EXCISE	293,660	275,143
INHERITANCE AND ESTATE	36,336	33,484
TOBACCO	80,930	82,298
COIN-OPERATED AMUSEMENT	1,389	1,366
BUSINESS	11,400	10,652
INSURANCE COMPANIES PREMIUM	119,565	116,649
RETALIATORY	4,423	4,148
WORKERS COMPENSATION PREMIUM	19,356	15,756
OTHER	7,122	6,264
TOTAL TAXES	3,139,106	2,978,724
LICENSES, FINES, FEES AND PERMITS:		
MOTOR VEHICLE TITLE REGISTRATION FEES	4,964	4,874
DRIVERS LICENSES	14,980	12,127
ARRESTS, FINES AND FEES	6,136	5,040
REGULATORY BOARD FEES	9,670	8,972
OTHER	15,727	12,394
TOTAL LICENSES, FINES, FEES AND PERMITS	51,479	43,407
INTEREST ON INVESTMENTS	72,082	71,459
FEDERAL - EARNED BY STATE DEPARTMENTS	1,620,501	1,491,560
DEPARTMENTAL SERVICES:		
CHARGES TO THE PUBLIC	94,748	90,167
INTERDEPARTMENTAL CHARGES	198,623	186,469
CHARGES TO CITIES, COUNTIES, ETC.	41,497	28,962
TOTAL DEPARTMENTAL SERVICES	334,868	305,598
OTHER	32,863	27,569
TOTAL REVENUES BY SOURCE	$ 5,250,899	$ 4,918,317

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY FUNCTION AND DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

EXPENDITURES BY FUNCTION AND DEPARTMENT	FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
GENERAL GOVERNMENT		
LEGISLATIVE	$ 12,988	$ 12,180
SECRETARY OF STATE	16,058	16,070
COMPTROLLER	31,109	27,066
TREASURER	7,823	7,017
GOVERNOR	5,303	4,157
COMMISSIONS	42,029	39,671
FINANCE AND ADMINISTRATION	10,445	8,592
PERSONNEL	4,792	5,009
GENERAL SERVICES	20,974	20,639
REVENUE	40,246	41,246
OTHER	9,258	8,885
	201,025	190,532
EDUCATION	1,532,423	1,445,912
HEALTH AND SOCIAL SERVICES		
VETERANS AFFAIRS	1,404	1,319
EMPLOYMENT SECURITY	44,905	39,781
LABOR	275,798	76,739
MENTAL HEALTH AND MENTAL RETARDATION	1,381,017	254,066
HEALTH AND ENVIRONMENT	473,841	1,229,586
HUMAN SERVICES	78,744	435,223
	2,255,709	2,036,714
LAW, JUSTICE AND PUBLIC SAFETY		
JUDICIAL	62,615	58,652
CORRECTION	266,489	251,250
MILITARY	17,096	17,384
BUREAU OF CRIMINAL INVESTIGATION	13,759	9,937
SAFETY	63,305	53,996
	423,264	391,219
RECREATION AND RESOURCE DEVELOPMENT		
AGRICULTURE	14,315	14,054
TOURIST DEVELOPMENT	10,032	9,058
CONSERVATION	67,118	60,513
ECONOMIC AND COMMUNITY DEVELOPMENT	44,228	44,213
	135,693	127,838
REGULATION OF BUSINESS AND PROFESSIONS		
COMMERCE AND INSURANCE	19,811	19,055
FINANCIAL INSTITUTIONS	4,343	3,988
	24,154	23,043
TOTAL EXPENDITURES BY FUNCTION AND DEPARTMENT	$ 4,572,268	$ 4,215,258

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
PERSONAL SERVICES	$ 699,902	$ 654,756
EMPLOYEE BENEFITS	165,714	161,224
TRAVEL	32,321	30,188
PRINTING, DUPLICATING AND FILM PROCESSING	12,789	11,614
UTILITIES AND FUEL	32,069	31,230
COMMUNICATION AND SHIPPING COST	28,442	27,598
MAINTENANCE, REPAIRS AND SERVICES	18,955	18,063
PROFESSIONAL AND ADMINISTRATIVE SERVICES	263,784	269,548
SUPPLIES	165,124	139,042
RENTALS AND INSURANCE	37,680	34,345
MOTOR VEHICLE OPERATION	4,780	4,653
AWARDS AND INDEMNITIES	7,212	6,051
GRANTS AND SUBSIDIES	3,066,600	2,794,523
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	13,832	18,195
EQUIPMENT	21,936	12,868
LAND		47
BUILDINGS	698	588
IMPROVEMENTS OTHER THAN BUILDINGS	430	725
TOTAL EXPENDITURES BY OBJECT	$ 4,572,268	$ 4,215,258

See accompanying Notes to the Financial Statements

SPECIAL REVENUE FUNDS

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Highway Fund - This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. Effective July 1, 1986 the Department of Transportation began earning interest on the monies for a new highway construction program, while the General Fund earns the interest on the other highway program monies.

Wildlife Resources Agency - This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Public Service Commission - The commission is responsible for executing and enforcing all statutes governing railroads, utilities and motor carriers. They also assess these groups for ad valorem taxes. Revenues are derived principally from filing and inspection fees.

Criminal Injuries Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $10,000, to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

Other Special Revenue Funds - There are five agencies included in this group, as follows:

1. Abandoned Land Program - This program is administered by the Department of Health and Environment. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations;

2. Driver Education - This program is designed and coordinated by the Departments of Education and Safety. Highway safety is promoted by providing driver education, instruction and training in schools, colleges and community organizations. The $2 fee for moving traffic violations is the source of funding for this program;

3. Hazardous Waste - This program is administered by the Department of Health and Environment. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities;

4. Regulatory Boards - This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees assessed on licenses to real estate brokers, affiliate real estate brokers, home improvement contractors or auctioneers. These revenues are used to pay court judgments for violations by brokers, contractors or auctioneers of the applicable acts or of any rules promulgated by the appropriate officials;

5. Drunk Drivers Victim Compensation - The Claims Commission administers this fund for the award of compensation, not to exceed $2,000, to victims (or their dependents) who suffer personal injury or death as a result of operator's intoxication. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS JUNE 30 ,1989	TOTALS JUNE 30, 1988
CASH AND CASH EQUIVALENTS	$ 323,648	$ 22,733	$ 4,900	$ 9,677	$ 16,256	$ 377,214	$ 371,436
RECEIVABLES	78,190	641	250	371	738	80,190	30,439
INTERFUND RECEIVABLES (Note 2)	580					580	580
INVENTORIES, at cost	6,077					6,077	4,381
TOTAL ASSETS	$ 408,495	$ 23,374	$ 5,150	$ 10,048	$ 16,994	$ 464,061	$ 406,836
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 26,156	$ 531	$ 409	$ 379	$ 352	$ 27,827	$ 6,604
ACCOUNTS PAYABLE AND ACCRUALS	38,750	1,406	196	242	180	40,774	61,445
INTERFUND PAYABLES (Note 2)	1,012	249			12	1,273	1,118
ADVANCE FROM OTHER FUNDS		2,720				2,720	2,880
DEFERRED REVENUE	2,495		1,863			4,358	203
DEPOSITS PAYABLE	7,578		1			7,579	7,513
TOTAL LIABILITIES	75,991	4,906	2,469	621	544	84,531	79,763
FUND BALANCES (Note 2):							
RESERVED FOR INVENTORIES	6,077					6,077	4,381
RESERVED FOR ENCUMBRANCES AND CONTRACTS	208,671	583	7		33	209,294	168,856
RESERVED FOR OTHER SPECIFIC PURPOSES	95,312	17,885	2,674	9,427	16,417	141,715	132,441
UNRESERVED:							
DESIGNATED FOR HIGHWAY CONSTRUCTION	22,444					22,444	21,395
TOTAL FUND BALANCES	332,504	18,468	2,681	9,427	16,450	379,530	327,073
TOTAL LIABILITIES AND FUND BALANCES	$ 408,495	$ 23,374	$ 5,150	$ 10,048	$ 16,994	$ 464,061	$ 406,836

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
REVENUES:							
TAXES	$ 452,570	$ 425				$ 452,995	$ 414,225
LICENSES, FINES, FEES AND PERMITS	465	18,694	$ 6,011	$ 5,790	$ 4,829	35,789	35,308
INTEREST ON INVESTMENTS	557			713	1,183	2,453	2,908
FEDERAL	253,794	5,203	2,528	928	527	262,980	250,442
DEPARTMENTAL SERVICES	9,037	2,014	3,548		296	14,895	24,628
OTHER	8,022					8,022	6,442
TOTAL REVENUES	724,445	26,336	12,087	7,431	6,835	777,134	733,953
EXPENDITURES:							
GENERAL GOVERNMENT			11,363	4,467	54	15,884	12,873
EDUCATION					1,725	1,725	1,379
HEALTH AND SOCIAL SERVICES					3,695	3,695	3,609
LAW, JUSTICE AND PUBLIC SAFETY					490	490	165
RECREATION AND RESOURCES DEVELOPMENT		23,909				23,909	23,396
REGULATION OF BUSINESS AND PROFESSIONS					27	27	54
TRANSPORTATION	728,884					728,884	689,265
TOTAL EXPENDITURES	728,884	23,909	11,363	4,467	5,991	774,614	730,741
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	(4,439)	2,427	724	2,964	844	2,520	3,212
OTHER FINANCING SOURCES(USES):							
OPERATING TRANSFER FROM(TO) GENERAL FUND	4,571	845			278	5,694	(3,212)
OPERATING TRANSFER FROM DEBT SERVICE FUND	10,700					10,700	14,500
TOTAL OTHER FINANCING SOURCES	15,271	845			278	16,394	11,288
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	10,832	3,272	724	2,964	1,122	18,914	14,500
CUMULATIVE EFFECT ON PRIOR YEARS (JUNE 30, 1988) OF CHANGING TO A DIFFERENT BASIS OF ACCOUNTING FOR TAXES AND LICENSES (NOTE 2)	34,509	234	(1,872)	312	360	33,543	
EXCESS OF REVENUE AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	45,341	3,506	(1,148)	3,276	1,482	52,457	14,500
FUND BALANCES, JULY 1	287,163	14,962	3,829	6,151	14,968	327,073	312,573
FUND BALANCES, JUNE 30 (Note 2)	$ 332,504	$ 18,468	$ 2,681	$ 9,427	$ 16,450	$ 379,530	$ 327,073

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REGULATORY BOARDS	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS JUNE 30, 1989	TOTALS JUNE 30,1988
CASH AND CASH EQUIVALENTS	$ 1,267	$ 892	$ 6,217	$ 1,599	$ 6,281	$ 16,256	$ 15,976
RECEIVABLES		202	311		225	738	24
TOTAL ASSETS	$ 1,267	$ 1,094	$ 6,528	$ 1,599	$ 6,506	$ 16,994	$ 16,000
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE		$ 22	$ 324		$ 6	$ 352	$ 102
ACCOUNTS PAYABLE AND ACCRUALS	$ 6	9	158	$ 1	6	180	920
INTERFUND PAYABLES (Note 2)		2	10			12	10
TOTAL LIABILITIES	6	33	492	1	12	544	1,032
FUND BALANCES (Note 2):							
RESERVED FOR ENCUMBRANCES AND CONTRACTS		33				33	36
RESERVED FOR OTHER SPECIFIC PURPOSES	1,261	1,028	6,036	1,598	6,494	16,417	14,932
TOTAL FUND BALANCES	1,261	1,061	6,036	1,598	6,494	16,450	14,968
TOTAL LIABILITIES AND FUND BALANCES	$ 1,267	$ 1,094	$ 6,528	$ 1,599	$ 6,506	$ 16,994	$ 16,000

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REGULATORY BOARDS	DRUNK DRIVERS VICTIM COMPENSATION	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
REVENUES:							
LICENSES, FINES, FEES AND PERMITS	$ 247	$ 2,082		$ 104	$ 2,396	$ 4,829	$ 4,510
INTEREST ON INVESTMENTS			$ 651	128	404	1,183	148
FEDERAL			527			527	317
DEPARTMENTAL SERVICES			296			296	1,172
TOTAL REVENUES	247	2,082	1,474	232	2,800	6,835	6,147
EXPENDITURES:							
GENERAL GOVERNMENT					54	54	57
EDUCATION		1,725				1,725	1,379
HEALTH AND SOCIAL SERVICES	359		3,336			3,695	3,609
LAW, JUSTICE AND PUBLIC SAFETY		490				490	165
REGULATION OF BUSINESS AND PROFESSIONS				27		27	54
TOTAL EXPENDITURES	359	2,215	3,336	27	54	5,991	5,264
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(112)	(133)	(1,862)	205	2,746	844	883
OTHER FINANCING SOURCE: OPERATING TRANSFER FROM GENERAL FUND			278			278	
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(112)	(133)	(1,584)	205	2,746	1,122	883
CUMULATIVE EFFECT ON PRIOR YEARS (JUNE 30, 1988) OF CHANGING TO A DIFFERENT BASIS OF ACCOUNTING FOR TAXES AND LICENSES (NOTE 2)		157			203	360	
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(112)	24	(1,584)	205	2,949	1,482	883
FUND BALANCES, JULY 1	1,373	1,037	7,620	1,393	3,545	14,968	14,085
FUND BALANCES, JUNE 30 (Note 2)	$ 1,261	$ 1,061	$ 6,036	$ 1,598	$ 6,494	$ 16,450	$ 14,968

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
BALANCE SHEET
HIGHWAY FUND
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	JUNE 30, 1989	JUNE 30, 1988
CASH AND CASH EQUIVALENTS	$ 323,648	$ 327,901
ACCOUNTS RECEIVABLE	41,204	724
DUE FROM OTHER GOVERNMENTS	36,986	26,842
INTERFUND RECEIVABLES (NOTE 2)	580	580
INVENTORIES, at cost	6,077	4,381
TOTAL ASSETS	$ 408,495	$ 360,428
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 26,156	$ 5,296
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE	29,428	51,215
CONTRACT RETAINAGE	5,559	4,548
ACCURED PAYROLL AND RELATED DEDUCTIONS	3,763	3,506
INTERFUND PAYABLES (Note 2)	1,012	985
DEFERRED REVENUE	2,495	203
DEPOSITS PAYABLE	7,578	7,512
TOTAL LIABILITIES	75,991	73,265
FUND BALANCES(Note 2):		
RESERVED FOR INVENTORIES	6,077	4,381
RESERVED FOR ENCUMBRANCES AND CONTRACTS	208,671	168,123
RESERVED FOR OTHER SPECIFIC PURPOSES:		
INTERSTATE HIGHWAYS	3,357	12,467
URBAN HIGHWAYS	843	843
SECONDARY ROADS	8,317	7,862
APPALACHIA HIGHWAYS AND ACCESS ROUTES	2,709	5,167
RURAL ROADS	3,119	3,164
METROPOLITAN URBAN SYSTEMS	5,114	3,886
BRIDGE REPLACEMENT	11,893	13,072
HIGHWAY SAFETY CONSTRUCTION	8,094	7,853
OTHERS	51,866	38,950
UNRESERVED:		
DESIGNATED FOR HIGHWAY CONSTRUCTION	22,444	21,395
TOTAL FUND BALANCE	332,504	287,163
TOTAL LIABILITIES AND FUND BALANCE	$ 408,495	$ 360,428

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1989	JUNE 30, 1988
REVENUES:		
TAXES	$ 452,570	$ 413,816
LICENSES	465	449
INTEREST ON INVESTMENTS	557	2,457
FEDERAL	253,794	241,571
DEPARTMENTAL SERVICES	9,037	19,895
OTHER	8,022	6,442
TOTAL REVENUES	724,445	684,630
EXPENDITURES:		
INTERSTATE HIGHWAY CONSTRUCTION	89,432	102,292
APPALACHIA CONSTRUCTION	2,912	9,066
STATE SYSTEM CONSTRUCTION	243,674	235,686
OTHER CONSTRUCTION	138,935	116,196
MAINTENANCE AND MARKING	166,774	157,238
ADMINISTRATIVE AND OTHER	87,157	68,788
TOTAL EXPENDITURES	728,884	689,265
EXCESS OF REVENUES (UNDER) EXPENDITURES	(4,439)	(4,635)
OTHER FINANCING SOURCES(USES):		
OPERATING TRANSFER FROM (TO) GENERAL FUND	4,571	(3,312)
OPERATING TRANSFER FROM DEBT SERVICE FUND	10,700	14,500
TOTAL OTHER FINANCING SOURCES	15,271	11,188
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES AND BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	10,832	6,553
CUMULATIVE EFFECT ON PRIOR YEARS(JUNE 30, 1988) OF CHANGING TO A DIFFERENT BASIS OF ACCOUNTING FOR TAXES AND LICENSES (NOTE 2)	34,509	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	45,341	6,553
FUND BALANCE, JULY 1	287,163	280,610
FUND BALANCE, JUNE 30	$ 332,504	$ 287,163

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF REVENUES BY SOURCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
TAXES:		
SALES	$ 8,573	$ 3,330
GASOLINE	225,231	194,162
MOTOR FUEL	61,736	59,677
PETROLEUM PRODUCTS	23,266	23,199
MOTOR VEHICLE REGISTRATION	130,320	130,090
GROSS RECEIPTS TAX	1,820	1,715
BEER TAX	1,624	1,643
TOTAL TAXES	452,570	413,816
OUTDOOR ADVERTISING LICENSES	465	449
INTEREST ON INVESTMENTS	557	2,457
FEDERAL	253,794	241,571
DEPARTMENTAL SERVICES:		
CITIES AND COUNTIES	5,511	17,154
STATE AGENCIES	3,526	2,741
TOTAL DEPARTMENTAL SERVICES	9,037	19,895
OTHER- OVERWEIGHT VEHICLES, SALE OF PLANS, ETC.	8,022	6,442
TOTAL REVENUES BY SOURCE	$ 724,445	$ 684,630

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF EXPENDITURES BY OBJECT
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1989	FOR THE YEAR ENDED JUNE 30, 1988
PERSONAL SERVICES	$ 101,769	$ 97,286
EMPLOYEE BENEFITS	25,386	24,657
TRAVEL	868	820
PRINTING, DUPLICATING AND FILM PROCESSING	628	606
UTILITIES AND FUEL	1,424	1,364
COMMUNICATION AND SHIPPING COST	1,379	1,381
MAINTENANCE, REPAIRS AND SERVICES	1,185	737
PROFESSIONAL AND ADMINISTRATIVE SERVICES	27,640	24,987
SUPPLIES	20,868	17,292
RENTALS AND INSURANCE	4,490	3,449
MOTOR VEHICLE OPERATION	3,470	2,789
AWARDS AND INDEMNITIES	357	128
GRANTS AND SUBSIDIES	25,504	14,589
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	9,963	11,092
EQUIPMENT	13,965	9,594
LAND	59,584	38,016
BUILDINGS	5,053	164
HIGHWAY CONSTRUCTION	425,351	440,314
TOTAL EXPENDITURES BY OBJECT	$ 728,884	$ 689,265

See accompanying Notes to the Financial Statements

STATE OF TENNESEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL(BUDGETARY BASIS)
ALL SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	HIGHWAY FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGET BASIS), JULY 1	$ 25,776	$ 25,776	
ADD:			
ENCUMBRANCES AND CONTRACT RESERVES REAPPROPRIATED	261,387	261,387	
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	34,509	34,509	
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	321,672	321,672	
REVENUES:			
TAXES	421,500	452,570	$ 31,070
LICENSES, FINES, FEES AND PERMITS		465	465
INTEREST ON INVESTMENTS		557	557
FEDERAL	889,299	253,794	(635,505)
DEPARTMENTAL SERVICES	55,247	9,037	(46,210)
OTHER		8,022	8,022
OTHER FINANCING SOURCES - TRANSFERS IN	15,271	15,271	
TOTAL SOURCES OF FINANCIAL RESOURCES	1,702,989	1,061,388	(641,601)
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
PUBLIC SERVICE COMMISSION			
WILDLIFE RESOURCES			
TRANSPORTATION	1,709,392	1,032,867	676,525
TOTAL USES OF FINANCIAL RESOURCES	1,709,392	1,032,867	676,525
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	$ (6,403)	$ 28,521	$ 34,924

	CRIMINAL INJURIES COMPENSATION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGET BASIS), JULY 1	$ 6,151	$ 6,151	
ADD:			
ENCUMBRANCES AND CONTRACT RESERVES REAPPROPRIATED			
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	312	312	
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	6,463	6,463	
REVENUES:			
TAXES			
LICENSES, FINES, FEES AND PERMITS		5,790	$ 5,790
INTEREST ON INVESTMENTS		713	713
FEDERAL	966	928	(38)
DEPARTMENTAL SERVICES			
OTHER			
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	7,429	13,894	6,465
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	7,191	4,467	2,724
PUBLIC SERVICE COMMISSION			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
WILDLIFE RESOURCES			
COMMERCE AND INSURANCE			
TRANSPORTATION			
TOTAL USES OF FINANCIAL RESOURCES	7,191	4,467	2,724
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	$ 238	$ 9,427	$ 9,189

See accompanying Notes to the Financial Statements

WILDLIFE RESOURCES AGENCY			PUBLIC SERVICE COMMISSION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 14,288	$ 14,288		$ 3,806	$ 3,806	
674	674		23	23	
234	234		(1,872)	(1,872)	
15,196	15,196		1,957	1,957	
440	425	$ (15)			
17,660	18,694	1,034	6,200	6,011	$ (189)
5,174	5,203	29	1,311	2,528	1,217
953	2,014	1,061	3,160	3,548	388
845	845				
40,268	42,377	2,109	12,628	14,044	1,416
			11,515	11,370	145
26,085	24,492	1,593			
26,085	24,492	1,593	11,515	11,370	145
$ 14,183	$ 17,885	$ 3,702	$ 1,113	$ 2,674	$ 1,561

OTHER SPECIAL REVENUE FUNDS			TOTAL SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 14,932	$ 14,932		$ 64,953	$ 64,953	
36	36		262,120	262,120	
360	360		33,543	33,543	
15,328	15,328		360,616	360,616	
			421,940	452,995	$ 31,055
2,050	4,829	$ 2,779	25,910	35,789	9,879
	1,183	1,183		2,453	2,453
1,569	527	(1,042)	898,319	262,980	(635,339)
1,000	296	(704)	60,360	14,895	(45,465)
				8,022	8,022
276	278		16,394	16,394	
20,225	22,441	2,216	1,783,539	1,154,144	(629,395)
2,172	54	2,118	9,363	4,521	4,842
			11,515	11,370	145
1,800	1,725	75	1,800	1,725	75
5,546	3,695	1,851	5,546	3,695	1,851
584	523	61	584	523	61
			26,085	24,492	1,593
63	27	36	63	27	36
			1,709,392	1,032,867	676,525
10,165	6,024	4,141	1,764,348	1,079,220	685,128
$ 10,060	$ 16,417	$ 6,357	$ 19,191	$ 74,924	$ 55,733

STATE OF TENNESEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL(BUDGETARY BASIS)
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	ABANDONED LAND PROGRAM		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGET BASIS), JULY 1	$ 1,373	$ 1,373	
ADD:			
ENCUMBRANCES AND CONTRACT RESERVES REAPPROPRIATED			
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE			
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	1,373	1,373	
REVENUES:			
LICENSES, FINES, FEES AND PERMITS		247	$ 247
INTEREST ON INVESTMENTS			
FEDERAL	115		(115)
DEPARTMENTAL SERVICES			
OTHER FINANCING SOURCES			
TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	1,488	1,620	132
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
EDUCATION			
HEALTH AND ENVIRONMENT	615	359	256
SAFETY			
TOTAL USES OF FINANCIAL RESOURCES	615	359	256
FUND BALANCES(BUDGETARY BASIS), JUNE 30 (Note 2)	$ 873	$ 1,261	$ 388

	REGULATORY BOARDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES(BUDGET BASIS), JULY 1	$ 1,393	$ 1,393	
ADD:			
ENCUMBRANCES AND CONTRACT RESERVES REAPPROPRIATED			
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE			
ADJUSTED FUND BALANCES(BUDGETARY BASIS), JULY 1	1,393	1,393	
REVENUES:			
LICENSES, FINES, FEES AND PERMITS		104	$ 104
INTEREST ON INVESTMENTS		128	128
FEDERAL			
DEPARTMENTAL SERVICES			
OTHER FINANCING SOURCES			
TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	1,393	1,625	232
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER			
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
COMMERCE AND INSURANCE	63	27	36
TOTAL USES OF FINANCIAL RESOURCES	63	27	36
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	$ 1,330	$ 1,598	$ 268

See accompanying Notes to the Financial Statements

DRIVER EDUCATION			HAZARDOUS WASTE		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 1,001	$ 1,001		$ 7,620	$ 7,620	
36	36				
157	157				
1,194	1,194		7,620	7,620	
2,050	2,082	$ 32			
				651	651
			1,454	527	$ (927)
			1,000	296	(704)
			278	278	
3,244	3,276	32	10,352	9,372	(980)
1,800	1,725	75			
			4,931	3,336	1,595
584	523	61			
2,384	2,248	136	4,931	3,336	1,595
$ 860	$ 1,028	$ 168	$ 5,421	$ 6,036	$ 615

DRUNK DRIVERS VICTIM COMPENSATION			TOTAL OTHER SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 3,545	$ 3,545		$ 14,932	$ 14,932	
			36	36	
203	203		360	360	
3,748	3,748		15,328	15,328	
	2,396	$ 2,396	2,050	4,829	$ 2,779
	404	404		1,183	1,183
			1,569	527	(1,042)
			1,000	296	(704)
			278	278	
3,748	6,548	2,800	20,225	22,441	2,216
2,172	54	2,118	2,172	54	2,118
			1,800	1,725	75
			5,546	3,695	1,851
			584	523	61
			63	27	36
2,172	54	2,118	10,165	6,024	4,141
$ 1,576	$ 6,494	$ 4,918	$ 10,060	$ 16,417	$ 6,357

DEBT SERVICE FUND

The Debt Service Fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

STATE OF TENNESSEE
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1969

(Expressed in Thousands)

ASSETS	JUNE 30, 1969	JUNE 30, 1968
CASH AND CASH EQUIVALENTS	$ 3,228	$ 2,688
CASH WITH FISCAL AGENT	100	100
ACCOUNTS RECEIVABLE	1,827	
TOTAL ASSETS	$ 5,155	$ 2,788
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 4	$ 2
MATURED BONDS AND INTEREST PAYABLE	752	363
ACCRUED INTEREST ON BOND ANTICIPATION NOTES		33
TOTAL LIABILITIES	756	398
FUND BALANCE (Note 2):		
UNRESERVED:		
DESIGNATED FOR DEBT SERVICE	4,399	2,390
TOTAL FUND BALANCE	4,399	2,390
TOTAL LIABILITIES AND FUND BALANCE	$ 5,155	$ 2,788

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1989	JUNE 30, 1988
REVENUES:		
TAXES:		
SALES AND USE	$ 20,411	$ 19,578
GASOLINE	21,600	24,300
FRANCHISE	16,000	16,000
EXCISE	65,000	61,000
	123,011	120,878
FEDERAL	92	92
TOTAL REVENUES	123,103	120,970
EXPENDITURES:		
BOND PRINCIPAL RETIREMENT	61,372	64,117
BOND INTEREST	36,416	39,446
NOTE INTEREST	217	546
OTHER	92	73
TOTAL EXPENDITURES	98,097	104,182
EXCESS OF REVENUES OVER EXPENDITURES	25,006	16,788
OTHER FINANCING SOURCES(USES):		
OPERATING TRANSFER FROM GENERAL FUND	217	644
OPERATING TRANSFER (TO) CAPITAL PROJECTS FUND	(14,300)	(5,900)
OPERATING TRANSFER (TO) HIGHWAY FUND	(10,700)	(14,500)
OPERATING TRANSFER (TO) LOCAL DEVELOPMENT AUTHORITY	(25)	
TOTAL OTHER FINANCING (USES)	(24,808)	(19,756)
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	198	(2,968)
CUMULATIVE EFFECT ON PRIOR YEARS(JUNE 30, 1988) OF CHANGING TO A DIFFERENT BASIS OF ACCOUNTING FOR TAXES AND LICENSES (NOTE 2)	1,811	
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,009	(2,968)
FUND BALANCE, JULY 1	2,390	5,358
FUND BALANCE, JUNE 30	$ 4,399	$ 2,390

See accompanying Notes to the Financial Statements

CAPITAL PROJECTS FUND

The Capital Projects Fund is maintained to account for the acquisition or construction of major governmental general fixed assets financed principally by long-term bonds.

STATE OF TENNESSEE
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	JUNE 30, 1989	JUNE 30, 1988
CASH AND CASH EQUIVALENTS	$ 190,106	$ 321,410
DUE FROM OTHER GOVERNMENTS	2,245	2,105
INTERFUND RECEIVABLES (Note 2)	9,548	8,761
TOTAL ASSETS	$ 201,899	$ 332,276
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 7,299	$ 5,404
ACCOUNTS PAYABLE	12,379	10,476
INTERFUND PAYABLES		459
NOTES PAYABLE		7,400
DEFERRED REVENUE	1,026	237
TOTAL LIABILITIES	20,704	23,976
FUND BALANCE (Note 2):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	67,226	111,353
RESERVED FOR APPROVED CAPITAL PROJECTS	70,398	188,754
RESERVED FOR FUTURE CAPITAL PROJECTS	43,571	8,193
TOTAL FUND BALANCE	181,195	308,300
TOTAL LIABILITIES AND FUND BALANCE	$ 201,899	$ 332,276

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1989	JUNE 30, 1988
REVENUES:		
FEDERAL	$ 4,523	$ 4,729
DEPARTMENTAL SERVICES	2,132	2,145
TOTAL REVENUES	6,655	6,874
EXPENDITURES:		
GENERAL GOVERNMENT	14,547	19,779
EDUCATION	2,792	11,834
HEALTH AND SOCIAL SERVICES	3,849	4,634
LAW, JUSTICE AND PUBLIC SAFETY	101,889	29,149
RECREATION AND RESOURCES DEVELOPMENT	11,920	11,707
TOTAL EXPENDITURES	134,997	77,103
EXCESS OF REVENUES OVER EXPENDITURES	(128,342)	(70,229)
OTHER FINANCING SOURCES(USES):		
OPERATING TRANSFER FROM GENERAL FUND	47,398	32,560
OPERATING TRANSFER FROM DEBT SERVICE FUND	14,300	5,900
OPERATING TRANSFER (TO) COLLEGE AND UNIVERSITY FUNDS	(60,461)	(45,333)
TOTAL OTHER FINANCING SOURCES(USES)	1,237	(6,873)
TOTAL OF REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	(127,105)	(77,102)
FUND BALANCE, JULY 1	308,300	385,402
FUND BALANCE, JUNE 30	$ 181,195	$ 308,300

See accompanying Notes to the Financial Statements

ENTERPRISE FUNDS

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's enterprise operations are described below.

Housing Development Agency - Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Local Development Authority - This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. In addition, the Authority may assist small business concerns in financing pollution control facilities and farmers in financing certain capital improvements.

State Loan Program - Operated since the early 1970's through the Department of Health and Environment, this program has provided financial assistance to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes by the Local Development Authority.

Sewer Treatment Loan - Created in 1987, this fund provides loans to local governments and utility districts for the construction of sewage treatment facilities. The initial source of the monies are federal grants and state appropriations.

Comprehensive Health Insurance - Created by the legislature in 1986, this act was to provide access to health insurance to all residents of Tennessee. Individuals are charged premiums for coverage and the insurance companies are assessed an amount to help fund the pool.

Small Business Energy Loan Program - Created in 1988, this program makes loans to small businesses to make the business more energy efficient.

Housing Rehabilitation Corporation - Established in 1973, this corporation's purpose is to provide a means of encouraging the rehabilitation of existing housing. To facilitate this objective, the corporation insures first mortgage loans on existing houses and insures loans for home improvements. Although they have received state appropriations in the past, it is intended that the corporation be self-funded with revenues from investments, fees and premium income.

Property Utilization, a division of the Department of General Services - This agency receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs. In addition, this agency handles property surplused by the various state agencies.

State Employees' Cafeteria, also a division of the Department of General Services - This Nashville division operates two cafeterias for the convenience of state employees, one in the Andrew Jackson State Office Building and another in the Legislative Plaza.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	SEWER TREATMENT LOAN
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	$ 307,663	$ 38,420	$ 9,873	$ 6,577
RECEIVABLES:				
ACCOUNTS	6,130			
INTEREST	17,291	49	7	
LOANS RECEIVABLE - CURRENT PORTION	12,114			
DUE FROM OTHER GOVERNMENTS - CURRENT PORTION	567	1,750	3,050	
INTERFUND RECEIVABLES (NOTE 2)				
TOTAL CURRENT ASSETS	343,565	40,219	12,930	6,577
OTHER ASSETS:				
LONG-TERM INVESTMENTS, at cost	223,225	6,151		
LOANS RECEIVABLE	1,022,992			
DUE FROM OTHER GOVERNMENTS		79,015	55,992	539
DEFERRED CHARGES	1,830	512		
TOTAL OTHER ASSETS	1,248,047	85,678	55,992	539
FIXED ASSETS:				
LAND, at cost				
STRUCTURES AND IMPROVEMENTS, at cost				
MACHINERY AND EQUIPMENT, at cost	124			
LESS ACCUMULATED DEPRECIATION	(42)			
TOTAL FIXED ASSETS	82			
TOTAL ASSETS	$ 1,591,694	$ 125,897	$ 68,922	$ 7,116
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
CURRENT LIABILITIES:				
WARRANTS PAYABLE	$ 1,698	$ 60	$ 6	$ 539
ACCOUNTS PAYABLE AND ACCRUALS	74,631	3,419	1,684	
INTERFUND PAYABLES (Note 2)	18			
NOTES PAYABLE (Note 3)		64,131		
CURRENT PORTION OF LONG-TERM DEBT (NOTE 3)	47,091	1,750	3,050	
DEFERRED REVENUE	1,692			170
TOTAL CURRENT LIABILITIES	125,130	69,360	4,740	709
LONG-TERM DEBT - BONDS PAYABLE, NET (Note 3)	1,344,616	51,234	57,540	
CALL PREMIUMS PAYABLE		733		
TOTAL LONG-TERM DEBT	1,344,616	51,967	57,540	
TOTAL LIABILITIES	1,469,746	121,327	62,280	709
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL	2,500			5,351
RETAINED EARNINGS:				
RESERVED FOR BOND RETIREMENT	17,454			
RESERVED FOR LOCAL DEVELOPMENT LOANS		3,798		
RESERVED FOR HOUSING DEVELOPMENT	58,359			
UNRESERVED	43,635	772	6,642	1,056
TOTAL FUND EQUITY	121,948	4,570	6,642	6,407
TOTAL LIABILITIES AND FUND EQUITY	$ 1,591,694	$ 125,897	$ 68,922	$ 7,116

See accompanying Notes to the Financial Statements

COMPREHENSIVE HEALTH INSURANCE	SMALL BUSINESS ENERGY LOAN PROGRAM	HOUSING REHABILITATION CORPORATION	PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS JUNE 30, 1989	TOTALS JUNE 30, 1988
$ 2,428	$ 2	$ 664	$ 205	$ 21	$ 365,853	$ 240,533
			102		6,232	4,687
					17,347	15,809
	27				12,141	9,670
					5,167	7,031
			2		2	6
2,428	29	664	309	21	406,742	277,736
					229,376	181,457
	175				1,023,167	867,327
					135,546	134,412
					2,342	1,813
	175				1,390,431	1,185,009
			29		29	29
			106		106	98
		1	208	226	559	467
		(1)	(188)	(165)	(396)	(356)
			155	61	298	238
$ 2,428	$ 204	$ 664	$ 464	$ 82	$ 1,797,471	$ 1,462,983
$ 274			$ 27		$ 2,604	$ 3,188
2,895			206		82,835	58,854
			9		27	23
					64,131	61,432
					51,891	31,754
1,131		$ 1			2,994	1,958
4,300		1	242		204,482	157,209
					1,453,390	1,191,454
					733	733
					1,454,123	1,192,187
4,300		1	242		1,658,605	1,349,396
			704	$ 424	8,979	3,363
					17,454	16,485
					3,798	3,485
					58,359	
(1,872)	$ 204	663	(482)	(342)	50,276	90,254
(1,872)	204	663	222	82	138,866	113,587
$ 2,428	$ 204	$ 664	$ 464	$ 82	$ 1,797,471	$ 1,462,983

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	SEWER TREATMENT LOAN
OPERATING REVENUES:				
CHARGES FOR SERVICES	$ 521	$ 5,327	$ 3,413	
INTEREST INCOME	125,931	3,931	1,136	$ 505
PREMIUMS				
TOTAL OPERATING REVENUES	126,452	9,258	4,549	505
OPERATING EXPENSES:				
PERSONAL SERVICES	1,945			
CONTRACTUAL SERVICES	462	987	2	
MORTGAGE SERVICE FEES	3,148			
MATERIALS AND SUPPLIES	46			
RENTALS AND INSURANCE	276			167
INTEREST	105,833	7,393	3,737	
DEPRECIATION AND AMORTIZATION	176	140		
OTHER	711			
BENEFITS				
TOTAL OPERATING EXPENSES	112,597	8,520	3,739	167
OPERATING INCOME(LOSS)	13,855	738	810	338
NONOPERATING REVENUES(EXPENSES):				
OPERATING GRANTS	21,782			
GRANTS EXPENSE	(21,993)			
GAIN ON SALE OF INVESTMENTS				
TAX REVENUE	7,954			
ASSESSMENTS				
TOTAL NONOPERATING REVENUES (EXPENSES)	7,743			
INCOME(LOSS) BEFORE OPERATING TRANSFERS	21,598	738	810	338
OPERATING TRANSFER FROM DEBT SERVICE FUND		25		
OPERATING TRANSFER FROM GENERAL FUND				718
OPERATING TRANSFER (TO) LOCAL DEVELOPMENT AUTHORITY				
OPERATING TRANSFER FROM STATE LOAN PROGRAM				
INCOME(LOSS) BEFORE EXTRAORDINARY CHARGE	21,598	763	810	1,056
EXTRAORDINARY CHARGE (NOTE 3)	(425)			
NET INCOME(LOSS) /CHANGE IN RETAINED EARNINGS	21,173	763	810	1,056
OTHER CHANGES IN FUND EQUITY:				
CONTRIBUTED FIXED ASSETS				
EQUITY TRANSFER FROM GENERAL FUND				5,351
NET CHANGE IN FUND EQUITY	21,173	763	810	6,407
FUND EQUITY, JULY 1	100,775	3,807	5,832	
FUND EQUITY, JUNE 30 (Note 2)	$ 121,948	$ 4,570	$ 6,642	$ 6,407

See accompanying Notes to the Financial Statements

COMPREHENSIVE HEALTH INSURANCE	SMALL BUSINESS ENERGY LOAN PROGRAM	HOUSING REHABILITATION CORPORATION	PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	TOTALS FOR THE YEAR ENDED JUNE 30, 1988
		$ 2	$ 1,673	$ 10	$ 10,946	$ 9,373
$ 227	$ 1	54			131,785	111,394
4,374					4,374	1,646
4,601	1	56	1,673	10	147,105	122,413
			1,219		3,164	2,504
9			404		1,864	1,654
					3,148	2,791
			114		160	215
			53		496	308
					116,963	101,538
			26	12	354	306
468			99		1,278	905
8,612					8,612	786
9,089			1,915	12	136,039	111,007
(4,488)	1	56	(242)	(2)	11,066	11,406
	203				21,985	21,490
					(21,993)	(21,490)
						549
					7,954	
277					277	1,681
277	203				8,223	2,230
(4,211)	204	56	(242)	(2)	19,289	13,636
					25	
					718	
						(100)
						100
(4,211)	204	56	(242)	(2)	20,032	13,636
					(425)	(1,192)
(4,211)	204	56	(242)	(2)	19,607	12,444
			13	50	63	19
			258		5,609	50
(4,211)	204	56	29	48	25,279	12,513
2,339		607	193	34	113,587	101,074
$ (1,872)	$ 204	$ 663	$ 222	$ 82	$ 138,866	$ 113,587

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	SEWER TREATMENT LOAN
SOURCES OF WORKING CAPITAL:				
OPERATIONS:				
INCOME BEFORE EXTRAORDINARY ITEM	$ 21,598	$ 763	$ 810	$ 1,056
ITEMS NOT REQUIRING WORKING CAPITAL -				
DISCOUNT AMORTIZATION	1,257			
DEPRECIATION AND AMORTIZATION	176	140		
DEEP DISCOUNT BOND ACCRETION	6,081			
WORKING CAPITAL PROVIDED BY OPERATIONS EXCLUSIVE OF EXTRAORDINARY ITEMS	29,112	903	810	1,056
EXTRAORDINARY ITEMS	(425)			
WORKING CAPITAL PROVIDED BY OPERATIONS	28,687	903	810	1,056
PROCEEDS FROM SALE OF BONDS	331,507			
DISPOSAL OF MACHINERY AND EQUIPMENT				
DECREASE IN LOANS TO OTHER GOVERNMENTS			2,764	
DECREASE IN LOANS RECEIVABLE	44,596			
SALE OF LONG-TERM INVESTMENTS		82		
EQUITY TRANSFER FROM GENERAL FUND				5,351
TOTAL SOURCES OF WORKING CAPITAL	404,790	985	3,574	6,407
USES OF WORKING CAPITAL:				
PURCHASE OF LONG-TERM INVESTMENTS	48,001			
INCREASE IN LOANS TO LOCAL GOVERNMENTS		3,359		539
INCREASE IN LOANS RECEIVABLE	200,261			
INCREASE IN DEFERRED CHARGES	814			
ACQUISITION OF MACHINERY AND EQUIPMENT	37			
DECREASE IN LONG-TERM DEBT	72,131	1,750	3,050	
TOTAL USES OF WORKING CAPITAL	321,244	5,109	3,050	539
NET CHANGE IN WORKING CAPITAL	$ 83,546	(4,124)	524	$ 5,868
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
CASH AND CASH EQUIVALENTS	$ 120,532	$ (1,627)	$ (194)	$ 6,577
ACCOUNTS RECEIVABLE	1,524			
INTEREST RECEIVABLE	1,523	11	4	
LOANS RECEIVABLE	2,444			
CURRENT DUE FROM OTHER GOVERNMENTS	(2,055)	116	75	
INTERFUND RECEIVABLES				
INVENTORIES				
WARRANTS PAYABLE	(229)	1,056	449	(539)
ACCOUNTS PAYABLE AND ACCRUALS	(20,512)	(865)	265	
INTERFUND PAYABLES				
NOTES PAYABLE		(2,699)		
CURRENT PORTION OF LONG-TERM DEBT	(19,946)	(116)	(75)	
DEFERRED REVENUE	265			(170)
NET CHANGE IN WORKING CAPITAL	$ 83,546	$ (4,124)	$ 524	$ 5,868

See accompanying Notes to the Financial Statements

COMPREHENSIVE HEALTH INSURANCE	SMALL BUSINESS ENERGY LOAN PROGRAM	HOUSING REHABILITATION CORPORATION	PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
$ (4,211)	$ 204	$ 56	$ (242)	$ (2)	$ 20,032	$ 13,636
					1,257	1,232
			26	12	354	306
					6,081	5,274
(4,211)	204	56	(216)	10	27,724	20,448
					(425)	(1,192)
(4,211)	204	56	(216)	10	27,299	19,256
					331,507	167,871
						5
					2,764	2,573
					44,596	59,887
					82	2,246
			258		5,609	50
(4,211)	204	56	42	10	411,857	251,888
					48,001	22,312
					3,898	14,090
	175				200,436	125,369
					814	453
			7		44	19
					76,931	55,527
	175		7		330,124	217,770
$ (4,211)	$ 29	$ 56	$ 35	$ 10	$ 81,733	$ 34,118
$ (183)	$ 2	$ 56	$ 138	$ 19	$ 125,320	$ (10,731)
			30	(9)	1,545	(1,574)
					1,538	2,245
	27				2,471	3,055
					(1,864)	2,694
			(4)		(4)	4
						(9)
(156)			3		584	(1,218)
(2,741)			(128)		(23,981)	(4,191)
			(4)		(4)	2
					(2,699)	68
					(20,137)	43,341
(1,131)					(1,036)	432
$ (4,211)	$ 29	$ 56	$ 35	$ 10	$ 81,733	$ 34,118

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost-reimbursement basis. The following operations are included in these funds:

Office of Information Resources, a division of the Department of Finance and Administration - This agency functions as the data processing service bureau for state government.

Claims Award - This fund was created in 1986 to pay awards for claims made against the state once validity of the claims has been determined by the Tennessee Claims Commission.

Motor Vehicle Management, a division of the Department of General Services - This division is responsible for administering a uniform program for the operation and maintenance of all state vehicles.

Printing, a division of the Department of General Services - This agency operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville and has responsibility for the installation and management of state-owned copier machines located in selected state agencies with high volume activity. In addition, this division provides photographic services to the various state agencies.

Building Management, a division of the Department of General Services - This division is responsible for the maintenance, repair and upkeep of selected state owned buildings located in Chattanooga, Memphis, Knoxville and Jackson.

Communications Management, a division of the Department of General Services - This division is responsible for designing, implementing, and operating a voice, data, and telephone communications system.

Tennessee State School Bond Authority (TSSBA) - Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied by the universities on users of the facilities provide the funds necessary for payment of principal and interest on bonds. Any collections in excess of these requirements are retained by the institutions to cover administrative fees, building maintenance and related costs.

Other - Three smaller internal service agencies are included in this group, as follows:

1. Legislative Services, a division of the Legislative branch - This division collects revenue from the printing and distribution of proposed bills, legislative calendars and other information during the legislative session.

2. Capitol Print Shop, a division of the Office of the Comptroller - This facility is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol.

3. Postal Services, a division of the Department of General Services - This agency processes and distributes incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	OFFICE OF INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	$ 5,852	$ 54,190	$ 14,471	$ 2,041
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE	316		81	5
INTERFUND RECEIVABLES (NOTE 2)			161	
INVENTORIES, at cost	415		78	242
PREPAID EXPENSES	714			
TOTAL CURRENT ASSETS	7,297	54,190	14,791	2,288
OTHER ASSETS:				
INVESTMENTS, at cost				
DEFERRED CHARGES				
ACCOUNTS RECEIVABLE NONCURRENT				
TOTAL OTHER ASSETS				
FIXED ASSETS:				
LAND, at cost				
STRUCTURES AND IMPROVEMENTS, at cost			158	
MACHINERY AND EQUIPMENT, at cost	37,859		34,458	2,901
LESS ACCUMULATED DEPRECIATION	(22,240)		(11,036)	(2,133)
TOTAL FIXED ASSETS	15,619		23,590	768
TOTAL ASSETS	$ 22,916	$ 54,190	$ 38,381	$ 3,056
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
CURRENT LIABILITIES:				
WARRANTS PAYABLE	$ 825	$ 199	$ 290	$ 87
ACCOUNTS PAYABLE AND ACCRUALS:				
ACCOUNTS PAYABLE	987	53,842	259	284
ACCRUED PAYROLL AND RELATED DEDUCTIONS	873		74	170
INTERFUND PAYABLES (Note 2)	483		7	15
DEFERRED REVENUE	103			
TOTAL CURRENT LIABILITIES	3,271	54,041	630	556
LONG-TERM DEBT:				
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
ADVANCE FROM OTHER FUNDS				
TOTAL LONG-TERM DEBT				
TOTAL LIABILITIES	3,271	54,041	630	556
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL:				
CAPITAL GRANTS			121	
GOVERNMENTS CONTRIBUTIONS	9,448		18,353	1,312
RETAINED EARNINGS(DEFICIT)	10,197	149	19,277	1,188
TOTAL FUND EQUITY	19,645	149	37,751	2,500
TOTAL LIABILITIES AND FUND EQUITY	$ 22,916	$ 54,190	$ 38,381	$ 3,056

See accompanying Notes to the Financial Statements

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS JUNE 30, 1989	TOTALS JUNE 30, 1988
$ 1,134	$ 2,651	$ 3,140	$ 1,203	$ 84,682	$ 65,052
		8,148		8,148	752
14		734	4	1,154	1,458
				161	53
	22		247	1,004	398
			36	750	407
1,148	2,673	12,022	1,490	95,899	68,120
		68,516		68,516	68,455
		1,866		1,866	2,299
					316
		70,382		70,382	71,070
1,618				1,618	1,468
18,670				18,838	12,301
32	6,533		439	82,222	75,019
(4,667)	(4,223)		(222)	(44,521)	(38,172)
15,653	2,310		217	58,157	50,616
$ 16,801	$ 4,983	$ 82,404	$ 1,707	$ 224,438	$ 189,806
$ 45	$ 91	$ 20	$ 87	$ 1,644	$ 2,080
96	102	8,882	22	64,474	38,842
72	39		109	1,337	1,229
5	5		6	521	939
				103	
218	237	8,902	224	68,079	43,090
		68,756		68,756	68,667
		1,979		1,979	1,979
					421
		70,735		70,735	71,067
218	237	79,637	224	138,814	114,157
				121	121
18,798	5,049		299	53,259	44,825
(2,215)	(303)	2,767	1,184	32,244	30,703
16,583	4,746	2,767	1,483	85,624	75,649
$ 16,801	$ 4,983	$ 82,404	$ 1,707	$ 224,438	$ 189,806

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	OFFICE OF INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
OPERATING REVENUES:				
CHARGES FOR SERVICES	$ 30,517	$ 19,665	$ 12,498	$ 4,679
INTEREST INCOME		4,404		
OTHER				
TOTAL OPERATING REVENUES	30,517	24,069	12,498	4,679
OPERATING EXPENSES:				
PERSONAL SERVICES	7,394		843	1,847
CONTRACTUAL SERVICES	6,291		485	1,010
MATERIALS AND SUPPLIES	3,906		2,905	1,310
RENTALS AND INSURANCE	3,905		168	176
INTEREST				
DEPRECIATION AND AMORTIZATION	5,722		5,143	147
BENEFITS		25,966		
OTHER	145	2,380	139	34
TOTAL OPERATING EXPENSES	27,363	28,346	9,683	4,524
INCOME(LOSS) BEFORE OPERATING TRANSFER	3,154	(4,277)	2,815	155
OPERATING TRANSFER FROM GENERAL FUND				
NET INCOME(LOSS)/CHANGE IN RETAINED EARNINGS	3,154	(4,277)	2,815	155
OTHER CHANGES IN FUND EQUITY				
CONTRIBUTED FIXED ASSETS			1,880	26
EQUITY TRANSFER FROM GENERAL FUND				
NET CHANGE IN FUND EQUITY	3,154	(4,277)	4,695	181
FUND EQUITY, JULY 1	16,491	4,426	33,056	2,319
FUND EQUITY, JUNE 30	$ 19,645	$ 149	$ 37,751	$ 2,500

See accompanying Notes to the Financial Statements

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
$ 2,461	$ 3,202		$ 4,461	$ 77,483	$ 68,172
		$ 4,841		9,245	7,127
					5
2,461	3,202	4,841	4,461	86,728	75,304
633	668		1,176	12,561	11,787
1,441	517		467	10,211	8,610
83	854		2,525	11,583	9,148
25	42		28	4,344	3,783
		4,400		4,400	4,962
540	1,257	522	56	13,387	11,329
				25,966	18,691
3	29		39	2,769	2,581
2,725	3,367	4,922	4,291	85,221	70,891
(264)	(165)	(81)	170	1,507	4,413
					44
(264)	(165)	(81)	170	1,507	4,457
6,556	6			8,468	715
					35
6,292	(159)	(81)	170	9,975	5,207
10,291	4,905	2,848	1,313	75,649	70,442
$ 16,583	$ 4,746	$ 2,767	$ 1,483	$ 85,624	$ 75,649

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	OFFICE OF INFORMATION RESOURCES	CLAIMS AWARD	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
SOURCES OF WORKING CAPITAL:				
OPERATIONS:				
NET INCOME(LOSS)	$ 3,154	$ (4,277)	$ 2,815	$ 155
ITEMS NOT REQUIRING WORKING CAPTIAL-				
DEPRECIATION AND AMORTIZATION	5,722		5,143	147
WORKING CAPITAL PROVIDED BY OPERATIONS	8,876	(4,277)	7,958	302
SALE OF LONG-TERM INVESTMENTS				
DISPOSAL OF MACHINERY AND EQUIPMENT	72		1,869	
EQUITY TRANSFERS FROM GENERAL FUND				
DECREASE IN NONCURRENT RECEIVABLE	316			
TOTAL SOURCES OF WORKING CAPITAL	9,264	(4,277)	9,827	302
USES OF WORKING CAPITAL:				
PURCHASE OF LONG-TERM INVESTMENTS				
ACQUISITION OF FIXED ASSETS	5,700		6,819	651
DECREASE IN ADVANCE FROM OTHER FUNDS	421			
TOTAL USES OF WORKING CAPITAL	6,121		6,819	651
NET CHANGE IN WORKING CAPITAL	$ 3,143	$ (4,277)	$ 3,008	$ (349)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
CASH AND CASH EQUIVALENTS	$ [illegible]88	$ 14,960	$ 2,631	$ (282)
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE	(316)		(71)	4
INTERFUND RECEIVABLES			108	
INVENTORIES	415		(8)	89
PREPAID EXPENSES	325			
WARRANTS PAYABLE	11	55	293	(11)
ACCOUNTS PAYABLE AND ACCRUALS	501	(19,292)	56	(146)
INTERFUND PAYABLES	422		(1)	(3)
NOTES PAYABLE				
DEFERRED REVENUE	(103)			
NET CHANGE IN WORKING CAPITAL	$ 3,143	$ (4,277)	$ 3,008	$ (349)

See accompanying Notes to the Financial Statements

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
$ (264)	$ (165)	$ (81)	$ 170	$ 1,507	$ 4,457
540	1,257	522	56	13,387	11,329
276	1,092	441	226	14,894	15,786
					503
	17		1	1,959	3,514
					35
				316	631
276	1,109	441	227	17,169	20,469
		61		61	
	612		115	13,897	18,169
				421	842
	612	61	115	14,379	19,011
$ 276	$ 497	$ 380	$ 112	$ 2,790	$ 1,458
$ 250	$ 347	$ (165)	$ 1	$ 19,630	$ 12,362
		7,396		7,396	290
12		66	1	(304)	(153)
				108	30
	7		103	606	(66)
			18	343	374
21	(72)	169	(30)	436	(1,049)
(6)	214	(7,086)	19	(25,740)	(10,625)
(1)	1			418	(2)
					257
				(103)	40
$ 276	$ 497	$ 380	$ 112	$ 2,790	$ 1,458

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER INTERNAL SERVICE FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS JUNE 30, 1989	TOTALS JUNE 30, 1988
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 188	$ 443	$ 572	$ 1,203	$ 1,202
ACCOUNTS RECEIVABLE	4			4	3
INVENTORIES, at cost		92	155	247	144
PREPAID EXPENSES		5	31	36	18
TOTAL CURRENT ASSETS	192	540	758	1,490	1,367
FIXED ASSETS:					
MACHINERY AND EQUIPMENT, at cost		330	109	439	329
LESS ACCUMULATED DEPRECIATION		(174)	(48)	(222)	(170)
TOTAL FIXED ASSETS		156	61	217	159
TOTAL ASSETS	$ 192	$ 696	$ 819	$ 1,707	$ 1,526
LIABILITIES AND FUND EQUITY					
LIABILITIES					
CURRENT LIABILITIES:					
WARRANTS PAYABLE	$ 3	$ 54	$ 30	$ 87	$ 57
ACCOUNTS PAYABLE AND ACCRUALS:					
ACCOUNTS PAYABLE		13	9	22	57
ACCRUED PAYROLL AND RELATED DEDUCTIONS	1	22	86	109	93
INTERFUND PAYABLES (Note 2)			6	6	6
TOTAL LIABILITIES	4	89	131	224	213
FUND EQUITY:					
CONTRIBUTED CAPITAL	86	188	25	299	299
RETAINED EARNINGS	102	419	663	1,184	1,014
TOTAL FUND EQUITY	188	607	688	1,483	1,313
TOTAL LIABILITIES AND FUND EQUITY	$ 192	$ 696	$ 819	$ 1,707	$ 1,526

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 154	$ 822	$ 3,485	$ 4,461	$ 3,985
TOTAL OPERATING REVENUES	154	822	3,485	4,461	3,985
OPERATING EXPENSES:					
PERSONAL SERVICES	33	375	768	1,176	1,075
CONTRACTUAL SERVICES	99	206	162	467	483
MATERIALS AND SUPPLIES		194	2,331	2,525	2,243
RENTALS AND INSURANCE	1	1	26	28	46
DEPRECIATION AND AMORTIZATION		31	25	56	27
OTHER			39	39	47
TOTAL OPERATING EXPENSES	133	807	3,351	4,291	3,921
NET INCOME/CHANGE IN RETAINED EARNINGS	21	15	134	170	64
FUND EQUITY, JULY 1	167	592	554	1,313	1,249
FUND EQUITY, JUNE 30	$ 188	$ 607	$ 688	$ 1,483	$ 1,313

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	TOTALS FOR THE YEAR ENDED JUNE 30, 1988
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME	$ 21	$ 15	$ 134	$ 170	$ 64
ITEMS NOT REQUIRING WORKING CAPTIAL					
DEPRECIATION AND AMORTIZATION		31	25	56	27
WORKING CAPITAL PROVIDED BY OPERATIONS	21	46	159	226	91
DISPOSAL OF MACHINERY AND EQUIPMENT			1	1	8
TOTAL SOURCES OF WORKING CAPITAL	21	46	160	227	99
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT		115		115	84
TOTAL USES OF WORKING CAPITAL		115		115	84
NET CHANGE IN WORKING CAPITAL	$ 21	$ (69)	$ 160	$ 112	$ 15
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ 23	$ (75)	$ 53	$ 1	$ 10
ACCOUNTS RECEIVABLE	1			1	(10)
INTERFUND RECEIVABLES					(2)
INVENTORIES		40	63	103	18
PREPAID EXPENSES		(7)	25	18	6
WARRANTS PAYABLE	(2)	(27)	(1)	(30)	(13)
ACCOUNTS PAYABLE AND ACCRUALS	(1)		20	19	8
INTERFUND PAYABLES					(2)
NET CHANGE IN WORKING CAPITAL	$ 21	$ (69)	$ 160	$ 112	$ 15

See accompanying Notes to the Financial Statements

TRUST AND AGENCY FUNDS

The Trust and Agency Funds are used to account for assets held by the state in a fiduciary capacity. Trust funds include the Employment Security Fund, Employee Group Insurance Fund, the Local Government Investment Fund, the Teacher Group Insurance Fund, the Employee Flexible Benefits, the Student Assistance Corporation Fund, the Board of Equalization Loan Fund, the Chairs of Excellence Fund and the Pension Trust Fund. The Local Government Fund, the Contingent Revenue Fund, the Deferred Compensation Fund, the Bond Refunding Fund, and the Community Development Fund are agency funds.

Expendable Trust Funds:

Employment Security Fund - This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest earned from these moneys is retained in the fund. Administrative and operational expenses incurred by the Department of Employment Security are expenditures of the General Fund.

Employee Group Insurance Fund - Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. Prior to 1978, medical insurance was provided by a private carrier. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

Local Government Investment Fund - This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earnings. Through this program the participating local governments achieve higher investment income by pooling their funds than they could realize individually.

Teacher Group Insurance Fund - Established in January 1986, this fund is used to account for revenues received and claims paid on behalf of teachers of political subdivisions of the state who have elected coverage under a group medical plan similar to that offered state employees.

Employee Flexible Benefits - Established in January 1988, this fund is used to account for monies contributed by employees under the IRC Section 125 cafeteria plan. Revenues in this fund are generated by forfeitures by employees. Expenditures or transfers of this fund include administrative, the state's day care, and employee group insurance.

Nonexpendable Trust Funds:

Student Assistance Corporation Fund - This fund is used to account for the operations of the Tennessee Student Assistance Corporation (TSAC), a nonprofit organization created to administer loan and grant programs to students attending higher education institutions. TSAC was established in 1974 to (1) guarantee loans made to eligible students, (2) administer state awards of financial assistance to eligible students, and (3) administer the nursing and medical loan scholarship programs.

Board of Equalization Loan Fund - This fund was created in 1963 to account for state loans to city and county governments for a program of assessment, reassessment or equalization of property taxes. In 1967, the program was expanded to also enable grants to be made for these purposes. Cash in the fund not needed for loans or grants may be transferred to other state activities by legislative act.

Chairs of Excellence Fund - This fund was created by the General Assembly in 1986. Its purpose is to endow faculty chairs at the State Board of Regents and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

Pension Trust Fund:

The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system was transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1982, contributions of up to 5% of the earnable compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of June 30, 1989. As of that date there were 153,882 active members and 51,155 retired members representing a 4% and 6% increase, respectively, since the previous actuarial valuation in 1987.

Agency Funds:

Local Government Fund - The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

Contingent Revenue Fund - This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.

Deferred Compensation Fund - This fund is used to report the market value of investments accumulated in the state's IRC Section 457 deferred compensation plan.

Bond Refunding Fund - This fund is used to account for the refunding bond issue for the Local Development Authority for which the State Treasurer is the trustee.

Community Development Fund - This fund is used to account for the monies held in trust for the federal government under the Community Development Block Grant program. When the loans are repaid the monies revert to the U.S. Treasury.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	EXPENDABLE TRUST	NONEXPENDABLE TRUST	PENSION TRUST	AGENCY	TOTALS JUNE 30, 1989	TOTALS JUNE 30, 1988
CASH AND CASH EQUIVALENTS	$ 522,192	$ 27,643	$ 547,947	$ 179,977	$ 1,277,759	$ 1,316,631
CASH ON DEPOSIT WITH FISCAL AGENT	629,232				629,232	550,248
INVESTMENTS (Note 1)		92,741	6,482,360	87,129	6,662,230	5,790,884
RECEIVABLES:						
INTEREST AND DIVIDENDS		1,836	92,966		94,802	77,466
DUE FROM OTHER GOVERNMENTS		9,635	12,619		22,254	22,235
NOTES RECEIVABLE		3,917			3,917	2,177
OTHER, net of allowance for uncollectibles of $18,634 in 1989 and $16,270 in 1988 (Note 2)	64,693	2	13,170	112,733	190,598	85,504
INTERFUND RECEIVABLES (Note 2)	184	2,110	6,972	4,643	13,909	14,550
PREPAYMENTS						1
MACHINERY AND EQUIPMENT, at cost		34			34	34
LESS ACCUMULATED DEPRECIATION		(13)			(13)	(10)
TOTAL ASSETS	$ 1,216,301	$ 137,905	$ 7,156,034	$ 384,482	$ 8,894,722	$ 7,859,720
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
WARRANTS PAYAYBLE	$ 9,435	$ 1,342	$ 12,374	$ 2,567	$ 25,718	$ 30,892
ACCOUNTS PAYABLE AND ACCRUALS	29,872	1,525	65,695	230,094	327,186	206,797
INTERFUND PAYABLES (Note 2)	137,742	2,127			139,869	77,228
DEFERRED REVENUE	10,800	15			10,815	9,293
MEMBERS DEPOSITS	346,170				346,170	290,488
AMOUNTS HELD IN CUSTODY FOR OTHERS				130,108	130,108	120,466
ADVANCES FROM FEDERAL GOVERNMENT		1,189		21,713	22,902	24,019
TOTAL LIABILITIES	534,019	6,198	78,069	384,482	1,002,768	759,183
FUND BALANCES:						
RESERVED FOR BOARD OF EQUALIZATION LOAN FUND		8,487			8,487	7,913
RESERVED FOR PENSION BENEFITS			7,077,965		7,077,965	6,381,201
RESERVED FOR CHAIRS OF EXCELLENCE		97,997			97,997	76,977
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	684,504				684,504	603,630
RESERVED FOR GUARANTEED STUDENT LOANS		22,596			22,596	17,855
RESERVED FOR SCHOLARSHIPS AND TEACHER LOANS .		2,143			2,143	2,352
UNRESERVED	(2,222)	484			(1,738)	10,609
TOTAL FUND BALANCES	682,282	131,707	7,077,965		7,891,954	7,100,537
TOTAL LIABILITIES AND FUND BALANCES	$ 1,216,301	$ 137,905	$ 7,156,034	$ 384,482	$ 8,894,722	$ 7,859,720

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	EMPLOYEE FLEXIBLE BENEFITS	TOTALS JUNE 30, 1989	TOTALS JUNE 30, 1988
CASH AND CASH EQUIVALENTS	$ 568	$ 29,869	$ 483,990	$ 6,985	$ 780	$ 522,192	$ 410,106
CASH ON DEPOSIT WITH FISCAL AGENT	629,232					629,232	550,248
RECEIVABLES, net of allowance for uncollectibles of $14,834 in 1989 and $16,270 in 1988 (Note 2)	63,786	851		56		64,693	61,541
INTERFUND RECEIVABLE (Note 2)	94				90	184	235
TOTAL ASSETS	$ 693,680	$ 30,720	$ 483,990	$ 7,041	$ 870	$ 1,216,301	$ 1,022,130
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 3,836	$ 4,949		$ 605	$ 45	$ 9,435	$ 6,505
ACCOUNTS PAYABLE AND ACCRUALS	4,058	20,829		4,953	32	29,872	28,759
INTERFUND PAYABLES (Note 2)			$ 137,742			137,742	75,669
DEFERRED REVENUE	1,282	6,730		2,788		10,800	9,170
MEMBERS DEPOSITS			345,552		618	346,170	290,488
TOTAL LIABILITIES	9,176	32,508	483,294	8,346	695	534,019	410,591
FUND BALANCES:							
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	684,504					684,504	603,630
UNRESERVED		(1,788)	696	(1,305)	175	(2,222)	7,909
TOTAL FUND BALANCES	684,504	(1,788)	696	(1,305)	175	682,282	611,539
TOTAL LIABILITIES AND FUND BALANCES	$ 693,680	$ 30,720	$ 483,990	$ 7,041	$ 870	$ 1,216,301	$ 1,022,130

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	TEACHER GROUP INSURANCE	EMPLOYEE FLEXIBLE BENEFITS	TOTALS FOR THE YEAR ENDED JUNE 30, 1989	JUNE 30, 1988
REVENUES:							
EMPLOYER PREMIUMS	$ 218,770					$ 218,770	$ 211,342
MEMBER CONTRIBUTIONS		$ 36,336		$ 17,146		53,482	41,915
STATE CONTRIBUTIONS		85,064		9,182		94,246	79,348
INTEREST INCOME	49,505	2,575	$ 38,307	527		90,914	73,218
FEDERAL	20,424					20,424	12,647
OTHER					$ 413	413	
TOTAL REVENUES	288,699	123,975	38,307	26,855	413	478,249	418,470
EXPENDITURES:							
BENEFITS	207,825	100,280		28,362		336,467	291,633
INSURANCE PREMIUMS		29,488		12		29,500	23,059
INTEREST ON DEPOSITS			37,663			37,663	27,070
ADMINISTRATIVE FEES		2,294	777	567	191	3,829	2,834
TOTAL EXPENDITURES	207,825	132,062	38,440	28,941	191	407,459	344,596
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	80,874	(8,087)	(133)	(2,086)	222	70,790	73,874
OTHER FINANCING (USES): OPERATING TRANSFER TO GENERAL FUND					(47)	(47)	
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES AND OTHER USES	80,874	(8,087)	(133)	(2,086)	175	70,743	73,874
FUND BALANCES, JULY 1	603,630	6,299	829	781		611,539	537,665
FUND BALANCES, JUNE 30	$ 684,504	$ (1,788)	$ 696	$ (1,305)	$ 175	$ 682,282	$ 611,539

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING BALANCE SHEET
NONEXPENDABLE AND PENSION TRUST FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	NONEXPENDABLE TRUST: STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	TOTALS: JUNE 30, 1989	JUNE 30, 1988
CURRENT ASSETS:							
CASH AND CASH EQUIVALENTS	$ 17,606	$ 4,398	$ 5,639	$ 27,643	$ 547,947	$ 575,590	$ 734,142
RECEIVABLES:							
INTEREST AND DIVIDENDS	97		1,739	1,836	92,966	94,802	77,466
DUE FROM OTHER GOVERNMENTS	3,675	5,960		9,635	12,619	22,254	22,235
NOTES RECEIVABLE	3,917			3,917		3,917	2,177
OTHER	2			2	13,170	13,172	1,273
INTERFUND RECEIVABLES (Note 2)	2,110			2,110	6,972	9,082	9,530
PREPAID EXPENSES							1
TOTAL CURRENT ASSETS	27,407	10,358	7,378	45,143	673,674	718,817	846,824
OTHER ASSETS:							
LONG-TERM INVESTMENTS, at cost or amortized cost			92,741	92,741	6,482,360	6,575,101	5,710,868
MACHINERY AND EQUIPMENT, at cost	34			34		34	34
LESS ACCUMULATED DEPRECIATION	(13)			(13)		(13)	(10)
TOTAL FIXED ASSETS	21			21		21	24
TOTAL ASSETS	$ 27,428	$ 10,358	$ 100,119	$ 137,905	$ 7,156,034	$ 7,293,939	$ 6,557,716
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 438	$ 904		$ 1,342	$ 12,374	$ 13,716	$ 12,002
ACCOUNTS PAYABLE AND ACCRUALS	1,042	483		1,525	65,695	67,220	53,182
INTERFUND PAYABLES (Note 2)	5		$ 2,122	2,127		2,127	1,559
DEFERRED REVENUE	15			15		15	123
ADVANCE FROM FEDERAL GOVERNMENT	1,189			1,189		1,189	1,852
TOTAL LIABILITIES	2,689	1,387	2,122	6,198	78,069	84,267	68,718
FUND BALANCES:							
RESERVED FOR BOARD OF EQUALIZATION LOAN		8,487		8,487		8,487	7,913
RESERVED FOR PENSION BENEFITS					7,077,965	7,077,965	6,381,201
RESERVED FOR CHAIRS OF EXCELLENCE			97,997	97,997		97,997	76,977
RESERVED FOR GUARANTEED STUDENT LOANS	22,596			22,596		22,596	17,855
RESERVED FOR SCHOLARSHIPS AND TEACHER LOANS	2,143			2,143		2,143	2,352
UNRESERVED		484		484		484	2,700
TOTAL FUND BALANCES	24,739	8,971	97,997	131,707	7,077,965	7,209,672	6,488,998
TOTAL LIABILITIES AND FUND BALANCES	$ 27,428	$ 10,358	$ 100,119	$ 137,905	$ 7,156,034	$ 7,293,939	$ 6,557,716

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1989	JUNE 30, 1988
OPERATING REVENUES:							
MEMBER CONTRIBUTIONS					$ 89,907	$ 89,907	$ 83,022
STATE CONTRIBUTIONS					307,704	307,704	358,863
POLITICAL SUBDIVISION CONTRIBUTIONS					28,588	28,588	34,240
INTEREST INCOME	$ 1,760	$ 77		$ 1,837	280,646	282,483	246,790
DIVIDEND INCOME					110,309	110,309	78,980
NET INCOME FROM INVESTMENT TRANSACTIONS			$ 7,820	7,820	78,418	86,238	162,584
DISCOUNT AMORTIZATION					80,177	80,177	92,248
OTHER	4,008			4,008		4,008	3,934
TOTAL OPERATING REVENUES	5,768	77	7,820	13,665	975,749	989,414	1,060,661
OPERATING EXPENSES:							
PAYMENTS TO TIAA-CREF							19,324
BENEFITS					258,320	258,320	243,993
DEPRECIATION AND AMORTIZATION	3			3		3	3
REFUNDS					20,665	20,665	17,802
AWARDS			3,000	3,000		3,000	1,184
LOAN CANCELLATIONS	124			124		124	203
ADMINISTRATIVE FEES	3,248		142	3,390		3,390	3,394
TOTAL OPERATING EXPENSES	3,375		3,142	6,517	278,985	285,502	285,903
OPERATING INCOME	2,393	77	4,678	7,148	696,764	703,912	774,758
NONOPERATING REVENUES (EXPENSES):							
OPERATING GRANTS	1,563			1,563		1,563	1,580
GRANTS EXPENSE	(12,472)	(831)		(13,303)		(13,303)	(14,271)
TOTAL NONOPERATING(EXPENSES)	(10,909)	(831)		(11,740)		(11,740)	(12,691)
INCOME(LOSS) BEFORE OPERATING TRANSFERS	(8,516)	(754)	4,678	(4,592)	696,764	692,172	762,067
OPERATING TRANSFER FROM:							
GENERAL FUND	12,160		8,000	20,160		20,160	12,010
COLLEGE AND UNIVERSITY FUNDS			2,250	2,250		2,250	2,063
NET INCOME(LOSS)	3,644	(754)	14,928	17,818	696,764	714,582	776,140
OTHER CHANGES IN FUND BALANCE: CONTRIBUTIONS FROM PRIVATE SOURCES			6,092	6,092		6,092	4,560
NET CHANGE IN FUND BALANCES	3,644	(754)	21,020	23,910	696,764	720,674	780,700
FUND BALANCES, JULY 1	21,095	9,725	76,977	107,797	6,381,201	6,488,998	5,708,298
FUND BALANCES, JUNE 30	$ 24,739	$ 8,971	$ 97,997	$ 131,707	$ 7,077,965	$ 7,209,672	$ 6,488,998

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1989	JUNE 30, 1988
SOURCES OF WORKING CAPITAL:							
OPERATIONS:							
NET INCOME(LOSS)	$ 3,644	$ (754)	$ 14,928	$ 17,818	$ 696,764	$ 714,582	$ 776,140
ITEMS NOT REQUIRING WORKING CAPITAL:							
DISCOUNT AMORTIZATION					(80,177)	(80,177)	(92,248)
DEPRECIATION AND AMORTIZATION	3			3		3	3
WORKING CAPITAL PROVIDED BY OPERATIONS	3,647	(754)	14,928	17,821	616,587	634,408	683,895
CONTRIBUTIONS FROM PRIVATE SOURCES			6,092	6,092		6,092	4,560
TOTAL SOURCES OF WORKING CAPITAL	3,647	(754)	21,020	23,913	616,587	640,500	688,455
USES OF WORKING CAPITAL:							
PURCHASE OF LONG-TERM INVESTMENTS			22,438	22,438	761,618	784,056	782,385
ACQUISITION OF FIXED ASSETS							24
TOTAL USES OF WORKING CAPITAL			22,438	22,438	761,618	784,056	782,409
NET CHANGE IN WORKING CAPITAL	$ 3,647	$ (754)	$ (1,418)	$ 1,475	$ (145,031)	$ (143,556)	$ (93,954)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:							
CASH AND CASH EQUIVALENTS	$ 82	$ (1,969)	$ (2,559)	$ (4,446)	$ (154,106)	$ (158,552)	$ (109,761)
RECEIVABLES	1,332	1,061	573	2,966	28,028	30,994	(27,983)
INTERFUND RECEIVABLES	556			556	(1,004)	(448)	(1,796)
PREPAID EXPENSES	(1)			(1)		(1)	1
WARRANTS PAYABLE	130	(793)		(663)	(1,051)	(1,714)	(11,104)
ACCOUNTS PAYABLE AND ACCRUALS	777	947	1,136	2,860	(16,898)	(14,038)	56,659
INTERFUND PAYABLES			(568)	(568)		(568)	(76)
DEFERRED REVENUE	108			108		108	412
ADVANCE FROM FEDERAL GOVERNMENT	663			663		663	(306)
NET CHANGE IN WORKING CAPITAL	$ 3,647	$ (754)	$ (1,418)	$ 1,475	$ (145,031)	$ (143,556)	$ (93,954)

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	LOCAL GOVERNMENT	CONTINGENT REVENUE	DEFERRED COMPENSATION (Note 4)	BOND REFUNDING (Note 3)	COMMUNITY DEVELOPMENT	TOTALS JUNE 30, 1989	TOTALS JUNE 30, 1988
CASH AND CASH EQUIVALENTS	$ 127,734	$ 49,644		$ 48	$ 2,551	$ 179,977	$ 172,383
INVESTMENTS			$ 44,432	42,697		87,129	80,016
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $3,800 (Note 2)	92,188			1,383	19,162	112,733	22,690
INTERFUND RECEIVABLES (Note 2)		4,458	185			4,643	4,785
TOTAL ASSETS	$ 219,922	$ 54,102	$ 44,617	$ 44,128	$ 21,713	$ 384,482	$ 279,874
LIABILITIES							
LIABILITIES:							
WARRANTS PAYABLE	$ 318	$ 2,249				$ 2,567	$ 12,385
ACCOUNTS PAYABLE AND ACCRUALS	219,604	10,490				230,094	124,856
AMOUNTS HELD IN CUSTODY FOR OTHERS		41,363	$ 44,617	$ 44,128		130,108	120,466
ADVANCES FROM FEDERAL GOVERNMENT					$ 21,713	21,713	22,167
TOTAL LIABILITIES	$ 219,922	$ 54,102	$ 44,617	$ 44,128	$ 21,713	$ 384,482	$ 279,874

See accompanying Notes to the Financial Statements

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STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	BALANCE JULY 1,1988	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1989
LOCAL GOVERNMENT FUND				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 113,519	$ 1,140,476	$ 1,126,261	$ 127,734
ACCOUNTS RECEIVABLE		92,188		92,188
TOTAL ASSETS	$ 113,519	$ 1,232,664	$ 1,126,261	$ 219,922
LIABILITIES				
WARRANTS PAYABLE	$ 123	$ 318	$ 123	$ 318
ACCOUNTS PAYABLE AND ACCRUALS	113,396	1,232,346	1,126,138	219,604
TOTAL LIABILITIES	$ 113,519	$ 1,232,664	$ 1,126,261	$ 219,922
CONTINGENT REVENUE FUND				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 57,962	$ 296,239	$ 304,557	$ 49,644
INVESTMENTS	2		2	
INTERFUND RECEIVABLES (Note 2)	4,555	4,458	4,555	4,458
TOTAL ASSETS	$ 62,519	$ 300,697	$ 309,114	$ 54,102
LIABILITIES				
WARRANTS PAYABLE	$ 12,262	$ 250,739	$ 260,752	$ 2,249
ACCOUNTS PAYABLE AND ACCRUALS	11,460	475,130	476,100	10,490
AMOUNTS HELD IN CUSTODY FOR OTHERS	38,797	62,015	59,449	41,363
TOTAL LIABILITIES	$ 62,519	$ 787,884	$ 796,301	$ 54,102
DEFERRED COMPENSATION FUND				
ASSETS				
INVESTMENTS	$ 36,594	$ 13,067	$ 5,229	$ 44,432
INTERFUND RECEIVABLE (Note 2)	230	185	230	185
TOTAL ASSETS	$ 36,824	$ 13,252	$ 5,459	$ 44,617
LIABILITIES				
AMOUNTS HELD IN CUSTODY FOR OTHERS	$ 36,824	$ 13,252	$ 5,459	$ 44,617

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	BALANCE JULY 1,1988	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1989
BOND REFUNDING				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 36	$ 11,029	$ 11,017	$ 48
INVESTMENTS	43,420	32	755	42,697
ACCOUNTS RECEIVABLE	1,389	1,383	1,389	1,383
TOTAL ASSETS	$ 44,845	$ 12,444	$ 13,161	$ 44,128
LIABILITIES				
AMOUNTS HELD IN CUSTODY FOR OTHERS	$ 44,845	$ 8,886	$ 9,603	$ 44,128
COMMUNITY DEVELOPMENT				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 866	$ 1,685		$ 2,551
ACCOUNTS RECEIVABLE	21,301	4,475	$ 6,614	19,162
TOTAL ASSETS	$ 22,167	$ 6,160	$ 6,614	$ 21,713
LIABILITIES				
ADVANCES FROM FEDERAL GOVERNMENT	$ 22,167		$ 454	$ 21,713
TOTALS-ALL AGENCY FUNDS				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 172,383	$ 1,449,429	$ 1,441,835	$ 179,977
INVESTMENTS	80,016	13,099	5,986	87,129
ACCOUNTS RECEIVABLE	22,690	98,046	8,003	112,733
INTERFUND RECEIVABLES (Note 2)	4,785	4,643	4,785	4,643
TOTAL ASSETS	$ 279,874	$ 1,565,217	$ 1,460,609	$ 384,482
LIABILITIES				
WARRANTS PAYABLE	$ 12,385	$ 251,057	$ 260,875	$ 2,567
ACCOUNTS PAYABLE AND ACCRUALS	124,856	1,707,476	1,602,238	230,094
AMOUNTS HELD IN CUSTODY FOR OTHERS	120,466	84,153	74,511	130,108
ADVANCES FROM FEDERAL GOVERNMENT	22,167		454	21,713
TOTAL LIABILITIES	$ 279,874	$ 2,042,686	$ 1,938,078	$ 384,482

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes. These include all fixed assets except those of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1989

(Expressed in Thousands)

GENERAL FIXED ASSETS:	
LAND	$ 81,587
STRUCTURES AND IMPROVEMENTS	707,532
MACHINERY AND EQUIPMENT	213,744
CONSTRUCTION IN PROGRESS	106,173
TOTAL GENERAL FIXED ASSETS	$ 1,109,036
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	$ 73,977
GENERAL OBLIGATION BONDS	159,049
FEDERAL GRANTS	20,783
LOCAL GOVERNMENT	3,195
OTHER	1,909
GENERAL FUND REVENUES	104,023
SPECIAL REVENUE FUNDS REVENUES	59,155
DONATIONS	4,850
OTHER	179
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984	681,916
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	$ 1,109,036

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1989

(Expressed in Thousands)

FUNCTION AND ACTIVITY	LAND	STRUCTURES AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT:				
LEGISLATIVE			$ 760	$ 760
CONSTITUTIONAL OFFICES			2,618	2,618
ADMINISTRATION	$ 18,859	$ 157,491	5,044	181,394
REVENUE	2	263	3,109	3,374
TOTAL GENERAL GOVERNMENT	18,861	157,754	11,531	188,146
EDUCATION	734	72,032	8,961	81,727
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	1		13	14
EMPLOYMENT SECURITY	594	3,101	8,472	12,167
LABOR			953	953
MENTAL HEALTH AND MENTAL RETARDATION	2,398	127,204	7,970	137,572
HEALTH AND ENVIRONMENT	352	25,892	9,020	35,264
HUMAN SERVICES	186	4,980	9,375	14,541
TOTAL HEALTH AND SOCIAL SERVICES	3,531	161,177	35,803	200,511
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICAL	250		3,161	3,411
CORRECTION	1,960	119,335	13,944	135,239
MILITARY	1,981	54,532	1,905	58,418
BUREAU OF CRIMINAL INVESTIGATION		1,145	8,233	9,378
SAFETY	355	11,230	24,837	36,422
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	4,546	186,242	52,080	242,868
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	115	5,275	1,378	6,768
TOURIST DEVELOPMENT			259	259
CONSERVATION	34,456	102,389	17,888	154,733
WILDLIFE RESOURCES	17,218	8,365	5,921	31,504
ECONOMIC AND COMMUNITY DEVELOPMENT			2,640	2,640
TOTAL RECREATION AND RESOURCES DEVELOPMENT	51,789	116,029	28,086	195,904
REGULATION OF BUSINESS AND PROFESSIONS:				
COMMERCE AND INSURANCE			715	715
FINANCIAL INSTITUTIONS			176	176
TOTAL REGULATION OF BUSINESS AND PROFESSIONS			891	891
TRANSPORTATION	2,126	14,298	76,392	92,816
TOTALS ALLOCATED TO FUNCTIONS	$ 81,587	$ 707,532	$ 213,744	1,002,863
CONSTRUCTION IN PROGRESS				106,173
TOTAL GENERAL FIXED ASSETS (Note 2)				$ 1,109,036

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS, JULY 1,1988	ADDITIONS	RETIREMENTS	GENERAL FIXED ASSETS, JUNE 30, 1989
GENERAL GOVERNMENT:				
LEGISLATIVE	$ 796	$ 20	$ 56	$ 760
CONSTITUTIONAL OFFICES	2,145	637	164	2,618
ADMINISTRATION	186,112	2,637	7,355	181,394
REVENUE	2,681	1,015	322	3,374
TOTAL GENERAL GOVERNMENT	191,734	4,309	7,897	188,146
EDUCATION	70,945	13,131	2,349	81,727
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	13	2	1	14
EMPLOYMENT SECURITY	11,721	450	4	12,167
LABOR	900	148	95	953
MENTAL HEALTH AND MENTAL RETARDATION	138,850	1,467	2,745	137,572
HEALTH AND ENVIRONMENT	33,468	3,093	1,297	35,264
HUMAN SERVICES	15,683	2,581	3,723	14,541
TOTAL HEALTH AND SOCIAL SERVICES	200,635	7,741	7,865	200,511
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICAL	3,128	317	34	3,411
CORRECTION	129,379	6,493	633	135,239
MILITARY	53,803	4,814	199	58,418
BUREAU OF CRIMINAL INVESTIGATION	6,339	4,062	1,023	9,378
SAFETY	29,867	7,704	1,149	36,422
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	222,516	23,390	3,038	242,368
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	6,553	226	11	6,768
TOURIST DEVELOPMENT	250	14	5	259
CONSERVATION	146,695	8,849	811	154,733
WILDLIFE RESOURCES	29,951	1,799	246	31,504
ECONOMIC AND COMMUNITY DEVELOPMENT	1,605	1,113	78	2,640
TOTAL RECREATION AND RESOURCES DEVELOPMENT	185,054	12,001	1,151	195,904
REGULATION OF BUSINESS AND PROFESSIONS:				
COMMERCE AND INSURANCE	508	283	76	715
FINANCIAL INSTITUTIONS	91	85		176
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	599	368	76	891
TRANSPORTATION	86,747	11,771	5,702	92,816
CONSTRUCTION IN PROGRESS	32,450	98,907	25,184	106,173
TOTAL GENERAL FIXED ASSETS(Note 2)	$ 990,680	$ 171,618	$ 53,262	$ 1,109,036

See accompanying Notes to the Financial Statements

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The General Long-term Obligations Account Group is maintained to account for the outstanding principal balances of the State's general obligation bonds, for accrued annual and compensatory leave for employees paid from the Governmental Fund Types, and for capital lease obligations.

STATE OF TENNESSEE
SCHEDULE OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED JUNE 30, 1989

(Expressed in Thousands)

	BALANCE JULY 1, 1988	GENERAL OBLIGATION BONDS RETIRED	DEBT SERVICE FUND OPERATIONS	OTHER INCREASES (DECREASES)	BALANCE JUNE 30, 1989
AMOUNT AVAILABLE IN DEBT SERVICE FUND	$ 2,390		$ 2,009		$ 4,399
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	704,953	$ 61,367	(2,009)	$ 5,959	647,536
TOTAL AVAILABLE AND TO BE PROVIDED	$ 707,343	$ 61,367	$ -	$ 5,959	$ 651,935
GENERAL OBLIGATION DEBT PAYABLE (Note 3)	$ 615,603	$ 61,367			$ 554,236
ACCRUED ANNUAL AND COMPENSATORY LEAVE	91,698			$ 5,973	97,671
CAPITAL LEASE OBLIGATIONS	42			(14)	28
	$ 707,343	$ 61,367	$ -	$ 5,959	$ 651,935

See accompanying Notes to the Financial Statements

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COLLEGE AND UNIVERSITY FUNDS

The College and University Funds are used to account for all transactions relating to public institutions of higher education and the state's area vocational-technical schools. These include seven universities, eleven community colleges, three technical institutes and twenty-seven area vocational schools. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Department of Finance and Administration.

Two governing boards are responsible for the operations of these institutions - the University of Tennessee Board of Trustees and the State Board of Regents. Coordination between these boards for such things as budgetary and capital outlay requests, the need for and location of new education institutions, and the approval of new academic and degree programs is provided by the Tennessee Higher Education Commission.

The University of Tennessee Board of Trustees - The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time it has grown into an institution of twenty-four different colleges and schools. The locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

The State Board of Regents - The State University and Community College System of Tennessee was created by the General Assembly in 1972. Its member institutions (six universities, eleven community colleges, three technical institutes, and twenty-seven area vocational-technical schools) serve the state and its citizenry by providing education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate as a coordinated network of public education with each campus offering unique characteristics and services. The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University	Clarksville
East Tennessee State University	Johnson City
Memphis State University	Memphis
Middle Tennessee State University	Murfreesboro
Tennessee State University	Nashville
Tennessee Technological University	Cookeville

COMMUNITY COLLEGES

Chattanooga State Technical Community College	Chattanooga
Cleveland State Community College	Cleveland
Columbia State Community College	Columbia
Dyersburg State Community College	Dyersburg
Jackson State Community College	Jackson
Motlow State Community College	Tullahoma
Pellissippi State Technical Community College	Knoxville
Roane State Community College	Harriman
Shelby State Community College	Memphis
Volunteer State Community College	Gallatin
Walters State Community College	Morristown

The community college movement is relatively new in Tennessee. Emerging from legislative study in the early 1960's, nine of the eleven existing colleges were established by the General Assembly between 1965 and 1969. The locations of these institutions were determined by population need patterns. An act of the 1973 General Assembly changed the Chattanooga State Technical Institute to Chattanooga State Technical Community College, representing the 10th community college in the state. The technical institute located in Knoxville was changed to a community college effective July 1, 1988. A broad range of two-year associate degree programs and one-to-two year certificate of proficiency programs is offered by each college.

STATE TECHNICAL INSTITUTES

Effective July 1, 1983, the governance of the state technical institutes was transferred from the State Department of Education to the State Board of Regents. The names and locations of the state technical institutes are:

Nashville State Technical Institute	Nashville
State Technical Institute at Memphis	Memphis
Tri-Cities State Technical Institute	Blountville

Various two-year associate degree programs are available at the technical institutes. In addition, special industrial and community service courses are offered as the demand arises from interested groups.

STATE AREA VOCATIONAL-TECHNIAL SCHOOLS

The state area vocational-technical schools were transferred from the State Department of Education to the State Board of Regents effective July 1, 1983. The twenty-seven area schools are located in the following Tennessee cities:

Athens	McMinnville
Chattanooga	Memphis
Covington	Morristown
Crossville	Murfreesboro
Dickson	Nashville
Elizabethton	Newbern
Harriman	Oneida
Hartsville	Paris
Hohenwald	Pulaski
Jacksboro	Ripley
Jackson	Savannah
Knoxville	Shelbyville
Livingston	Whiteville
McKenzie	

The purpose of the area vocational-technical schools is to provide occupational and technical training for current and future employes of existing and prospective industries and businesses of this state.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1989

(Expressed in Thousands)

ASSETS	CURRENT FUNDS UNRESTRICTED	CURRENT FUNDS RESTRICTED	LOAN	ENDOWMENT AND SIMILAR	LIFE INCOME
CASH AND CASH EQUIVALENTS	$ 35,270	$ 14,783	$ 4,109	$ 17,895	$ 1,228
CASH ON DEPOSIT WITH FISCAL AGENT					
INVESTMENTS	54,629	541	146	81,814	15,224
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $34,666 in 1989 and $29,538 in 1988	57,359	35,103	1,258	209	1
NOTES RECEIVABLE, net of allowance for uncollectibles of $8,142 in 1989 and $7,665 in 1988		38	39,974		
INTERFUND RECEIVABLES (Note 2)	73,892	2,752	542	3,021	
INVENTORIES	18,310				
PREPAID EXPENSES	2,412				
LAND					
STRUCTURES AND IMPROVEMENTS					
MACHINERY AND EQUIPMENT					
CONSTRUCTION IN PROGRESS					
OTHER ASSETS	8	1	18	40	
TOTAL ASSETS	$ 241,880	$ 53,218	$ 46,047	$ 102,979	$ 16,453
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
ACCOUNTS PAYABLE	$ 41,828	$ 3,685		$ 225	
ACCRUED LIABILITIES	88,919	748			
INTERFUND PAYABLES (Note 2)	4,138	1,880		1	$ 39
NOTES PAYABLE (Note 3)					
BONDS PAYABLE (Note 3)					
LEASE OBLIGATIONS PAYABLE (Note 3)					
DEFERRED REVENUE	29,303				
AMOUNTS HELD IN CUSTODY FOR OTHERS					
DEPOSITS PAYABLE	2,807				
OTHER	5,551				
TOTAL LIABILITIES	172,546	6,313		226	39
FUND EQUITY:					
NET INVESTMENT IN PLANT					
FUND BALANCE (Notes 1 and 2):					
RESERVED FOR:					
WORKING CAPITAL	53,747				
ENCUMBRANCES	16,321				
U.S. GOVERNMENT GRANTS REFUNDABLE			$ 37,412		
INSTITUTIONAL LOAN FUNDS			8,592		
ENDOWMENT				81,980	
TERM ENDOWMENT				19	
QUASI-ENDOWMENT				16,105	
LIFE INCOME					16,414
PLANT					
OTHER	5,004	46,905			
UNRESERVED:					
DESIGNATED:					
INSTITUTIONAL LOAN FUNDS			43		
QUASI-ENDOWMENT				4,649	
OTHER	6,925				
UNDESIGNATED	(12,663)				
TOTAL FUND EQUITY	69,334	46,905	46,047	102,753	16,414
TOTAL LIABILITIES AND FUND BALANCE	$ 241,880	$ 53,218	$ 46,047	$ 102,979	$ 16,453

See accompanying Notes to the Financial Statements

PLANT FUNDS						TOTALS	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY	JUNE 30, 1989	JUNE 30, 1988
$ 14,675	$ 7,821	$ 23,229		$ 4,074	$ 123,084	$ 174,987
		28,010			28,010	27,954
9,997	6,903	4,155		2,032	175,441	182,300
398	179	23		261	94,791	80,057
					40,012	43,098
12,975	24,823	2,698		8,831	129,534	69,232
					18,310	17,696
					2,412	2,010
			$ 60,988		60,988	59,947
			1,355,840		1,355,840	1,296,167
			609,934		609,934	562,576
			43,626		43,626	24,725
			753	1,124	1,944	2,852
$ 38,045	$ 39,726	$ 58,115	$ 2,071,141	$ 16,322	$ 2,683,926	$ 2,543,601
$ 3,072	$ 191		$ 20	$ 85	$ 49,106	$ 52,122
			3,176		92,843	83,281
					6,058	7,918
35			64,241		64,276	61,768
			243,928		243,928	253,691
			3,212		3,212	3,700
					29,303	30,065
				16,237	16,237	14,718
					2,807	2,922
					5,551	5,562
3,107	191		314,577	16,322	513,321	515,747
			1,756,564		1,756,564	1,625,104
					53,747	48,766
					16,321	16,925
					37,412	36,326
					8,592	
					81,980	74,395
					19	17
					16,105	
					16,414	13,623
7,866	105	$ 29,990			37,961	36,402
					51,909	49,919
					43	8,278
					4,649	18,570
27,040	39,430	8,300			81,695	82,177
32		19,825			7,194	17,352
34,938	39,535	58,115	1,756,564		2,170,605	2,027,854
$ 38,045	$ 39,726	$ 58,115	$ 2,071,141	$ 16,322	$ 2,683,926	$ 2,543,601

SUPPLEMENTARY SCHEDULES

SCHEDULE 1

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
JUNE 30, 1989

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT			STATE LOAN PROGRAM FUND DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1990	$ 61,367	$ 33,041	$ 94,408	$ 3,050	$ 3,629	$ 6,679
1991	58,717	29,745	88,462	3,195	3,461	6,656
1992	53,917	26,511	80,428	3,355	3,285	6,640
1993	47,376	23,596	70,972	3,550	3,100	6,650
1994	47,376	20,836	68,212	3,715	2,903	6,618
1995	44,376	18,161	62,537	3,900	2,695	6,595
1996	38,876	15,566	54,442	3,775	2,474	6,249
1997	27,076	13,308	40,384	3,015	2,256	5,271
1998	22,336	11,564	33,900	3,070	2,079	5,149
1999	22,336	10,042	32,378	3,270	1,896	5,166
2000	22,336	8,512	30,848	3,465	1,700	5,165
2001	20,421	6,980	27,401	3,335	1,490	4,825
2002	20,421	5,591	26,012	3,530	1,293	4,823
2003	15,421	4,201	19,622	3,120	1,082	4,202
2004	15,421	3,229	18,650	3,310	891	4,201
2005	15,421	2,257	17,678	3,195	688	3,883
2006	15,421	1,287	16,708	1,930	488	2,418
2007	5,621	315	5,936	1,090	361	1,451
2008				1,160	279	1,439
2009				1,235	192	1,427
2010				1,325	99	1,424
TOTALS	$ 554,236	$ 234,742	$ 788,978	$ 60,590	$ 36,341	$ 96,931

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
JUNE 30, 1989

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	HOUSING DEVELOPMENT AGENCY DEBT (NOTE) PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	LOCAL DEVELOPMENT AUTHORITY DEBT PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1990	$ 28,237	$ 105,888	$ 134,125	$ 1,703	$ 4,058	$ 5,761
1991	30,655	106,880	137,535	1,834	3,925	5,759
1992	35,364	104,420	139,784	1,982	3,778	5,760
1993	38,306	101,623	139,929	2,147	3,614	5,761
1994	38,459	98,627	137,086	2,330	3,431	5,761
1995	39,572	95,492	135,064	2,532	3,228	5,760
1996	41,307	92,136	133,443	2,755	3,005	5,760
1997	43,720	88,576	132,296	2,768	2,758	5,526
1998	47,927	87,782	135,709	3,022	2,504	5,526
1999	44,054	86,875	130,929	2,815	2,296	5,111
2000	43,479	83,062	126,541	3,013	2,099	5,112
2001	40,512	79,467	119,979	2,084	1,885	3,969
2002	47,844	75,662	123,506	2,237	1,733	3,970
2003	50,760	71,343	122,103	2,397	1,570	3,967
2004	55,374	66,675	122,049	2,228	1,396	3,624
2005	53,935	77,425	131,360	2,312	1,231	3,543
2006	53,802	87,096	140,898	1,485	1,060	2,545
2007	55,891	90,367	146,258	1,596	948	2,544
2008	45,706	104,553	150,259	1,715	829	2,544
2009	45,044	99,298	144,342	1,843	701	2,544
2010	45,469	100,454	145,923	1,980	564	2,544
2011	43,032	97,114	140,146	2,065	417	2,482
2012	42,623	93,857	136,480	1,595	264	1,859
2013	38,275	95,736	134,011	942	182	1,124
2014	41,010	91,558	132,568	799	132	931
2015	42,420	87,857	130,277	805	79	884
2016	45,348	54,198	99,546			
2017	49,115	29,046	78,161			
2018	39,799	51,185	90,984			
2019	39,306	6,017	45,323			
2020	38,272	3,339	41,611			
2021	18,947	1,266	20,213			
2022	6,220	253	6,473			
TOTALS	$ 1,369,784	$ 2,515,127	$ 3,884,911	$ 52,984	$ 47,687	$ 100,671

NOTE: Tennessee Housing Development Agency debt principal above is less than that presented in the accompanying financial statements by $21,923. This amount, representing the accretion to date of interest on deep discount bonds, has been reported as bond principal in the financial statements; it is reported above as interest in those years (2005-2018) in which the bonds mature.

Tennessee State School Bond Authority debt principal above is more than that presented in the accompanying financial statements by $178. This amount represents the write-off of discounts in those years (1989-1992) preceding the first principal payment in 1993.

COLLEGE AND UNIVERSITY DEBT			TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT		
PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
$ 10,366	$ 17,430	$ 27,796		$ 4,400	$ 4,400
11,058	16,759	27,817		4,400	4,400
11,800	16,031	27,831		4,400	4,400
12,413	15,243	27,656	$ 2,047	4,489	6,536
9,377	14,398	23,775	2,160	4,379	6,539
9,902	13,853	23,755	2,279	4,260	6,539
10,467	13,272	23,739	2,410	4,130	6,540
10,756	12,647	23,403	2,549	3,988	6,537
11,157	11,998	23,155	2,702	3,835	6,537
11,824	11,293	23,117	2,868	3,668	6,536
12,422	10,544	22,966	3,053	3,486	6,539
10,889	9,745	20,634	3,189	3,288	6,477
13,229	9,018	22,247	3,400	3,078	6,478
10,595	8,161	18,756	3,159	2,852	6,011
11,307	7,422	18,729	3,374	2,637	6,011
11,974	6,627	18,601	3,608	2,404	6,012
10,216	5,781	15,997	3,853	2,154	6,007
7,477	5,009	12,486	4,119	1,888	6,007
7,122	4,373	11,495	4,407	1,604	6,011
7,712	3,724	11,436	4,705	1,300	6,005
8,372	3,021	11,393	5,032	977	6,009
8,448	2,253	10,701	4,831	631	5,462
7,955	1,482	9,437	5,189	273	5,462
2205	709	2,914			
2360	489	2,849			
2525	252	2,777			
$ 243,928	$ 221,534	$ 465,462	$ 68,934	$ 68,521	$ 137,455

STATE OF TENNESSEE
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 1989

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL OBLIGATION BONDS		REVENUE BONDS	
	GENERAL LONG-TERM DEBT	STATE LOAN PROGRAM DEBT	HOUSING DEVELOPMENT AGENCY DEBT	LOCAL DEVELOPMENT AUTHORITY DEBT
1990	$ 94,408	$ 6,679	$ 134,125	$ 5,761
1991	88,462	6,656	137,535	5,759
1992	80,428	6,640	139,784	5,760
1993	70,972	6,650	139,929	5,761
1994	68,212	6,618	137,086	5,761
1995	62,537	6,595	135,064	5,760
1996	54,442	6,249	133,443	5,760
1997	40,384	5,271	132,296	5,526
1998	33,900	5,149	135,709	5,526
1999	32,378	5,166	130,929	5,111
2000	30,848	5,165	126,541	5,112
2001	27,401	4,825	119,979	3,969
2002	26,012	4,823	123,506	3,970
2003	19,622	4,202	122,103	3,967
2004	18,650	4,201	122,049	3,624
2005	17,678	3,883	131,360	3,543
2006	16,708	2,418	140,898	2,545
2007	5,936	1,451	146,258	2,544
2008		1,439	150,259	2,544
2009		1,427	144,342	2,544
2010		1,424	145,923	2,544
2011			140,146	2,482
2012			136,480	1,859
2013			134,011	1,124
2014			132,568	931
2015			130,277	884
2016			99,546	
2017			78,161	
2018			90,984	
2019			45,323	
2020			41,611	
2021			20,213	
2022			6,473	
TOTALS	$ 788,978	$ 96,931	$ 3,884,911	$ 100,671

REVENUE BONDS		
COLLEGE AND UNIVERSITY DEBT	TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT	TOTAL REQUIREMENTS
$ 27,796	$ 4,400	$ 273,169
27,817	4,400	270,629
27,831	4,400	264,843
27,656	6,536	257,504
23,775	6,539	247,991
23,755	6,539	240,250
23,739	6,540	230,173
23,403	6,537	213,417
23,155	6,537	209,976
23,117	6,536	203,237
22,966	6,539	197,171
20,634	6,477	183,285
22,247	6,478	187,036
18,756	6,011	174,661
18,729	6,011	173,264
18,601	6,012	181,077
15,997	6,007	184,573
12,486	6,007	174,682
11,495	6,011	171,748
11,436	6,005	165,754
11,393	6,009	167,293
10,701	5,462	158,791
9,437	5,462	153,238
2,914		138,049
2,849		136,348
2,777		133,938
		99,546
		78,161
		90,984
		45,323
		41,611
		20,213
		6,473
$ 465,462	$ 137,455	$ 5,474,408

SCHEDULE 4

STATE OF TENNESSEE
SCHEDULE OF OUTSTANDING DEBT
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE LAST FIVE FISCAL YEARS

(Expressed in Thousands)

	JUNE 30				
	1985	1986	1987	1988	1989
CAPITAL PROJECTS FUND -					
BOND ANTICIPATION NOTES	$ 67,770	$ 115,800	$ 14,800	$ 7,400	
ENTERPRISE FUNDS:					
LOCAL DEVELOPMENT AUTHORITY NOTES	90,200	62,500	61,500	61,432	$ 64,131
LOCAL DEVELOPMENT AUTHORITY BONDS	58,662	57,455	56,053	54,569	52,984
LOCAL DEVELOPMENT AUTHORITY CALL PREMIUMS			733	733	733
STATE LOAN PROGRAM BONDS	71,540	69,025	66,370	63,565	60,590
TENNESSEE HOUSING DEVELOPMENT AGENCY BONDS	822,816	970,386	1,025,310	1,105,074	1,391,707
	1,043,218	1,159,366	1,209,966	1,285,373	1,570,145
INTERNAL SERVICE FUNDS:					
OFFICE OF INFORMATION RESOURCES NOTES			257		
TENNESSEE STATE SCHOOL BOND AUTHORITY BONDS	52,300		68,577	68,667	68,756
TENNESSEE STATE SCHOOL BOND AUTHORITY CALL PREMIUMS	1,533		1,979	1,979	1,979
	53,833		70,813	70,646	70,735
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP-BONDS	480,695	626,570	679,720	615,603	554,236
COLLEGE AND UNIVERSITY FUNDS:					
ENDOWMENT FUND NOTES	16	16			
PLANT FUND NOTES	20,934	44,175	35,069	61,768	64,276
PLANT FUND BONDS	245,477	272,844	262,789	253,691	243,928
	266,427	317,033	297,858	315,459	308,204
TOTALS	$ 1,911,943	$ 2,218,771	$ 2,273,157	$ 2,294,481	$ 2,503,320

STATE OF TENNESSEE

SCHEDULE 5

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE

(Expressed in Thousands)

FISCAL YEAR	REVENUE BY SOURCE: MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	INVESTMENTS INCOME	CONTRIBUTIONS FOR TIAA/CREF	TOTAL
1980	$ 81,676	$ 216,556	$ 124,923	$ 10,791	$ 433,946
1981	89,452	222,702	162,071	11,555	485,780
1982	54,073	277,141	220,079	12,128	563,421
1983	57,318	271,439	272,633	13,203	614,593
1984	59,777	278,032	342,868	14,450	695,127
1985	66,726	313,438	354,196	17,598	751,958
1986	71,692	342,879	564,297	20,118	998,986
1987	78,730	348,514	726,663	22,995	1,176,902
1988	83,022	373,778	573,406	19,324	1,049,530
1989	89,907	336,293	549,550		975,750

FISCAL YEAR	EXPENSES BY TYPE: BENEFITS	REFUNDS	CONTRIBUTIONS FOR TIAA/CREF	TOTALS
1980	$ 114,730	$ 21,677	$ 10,790	$ 147,197
1981	125,477	21,877	11,560	158,914
1982	139,377	24,194	12,127	175,698
1983	154,443	20,708	13,203	188,354
1984	168,411	23,259	14,451	206,121
1985	185,666	22,774	17,597	226,037
1986	204,645	21,302	20,118	246,065
1987	229,301	21,751	22,994	274,046
1988	243,994	17,802	19,324	281,120
1989	258,320	20,665		278,985

Contributions were made in accordance with actuarially determined contribution requirements.

Member contributions decreased and employer contributions increased in fiscal year 1982 due to noncontributory legislation effective July 1, 1981.

The State's contributions to TIAA/CREF flowed through the TCRS until April 1988. Subsequently, these contributions are remitted directly to TIAA/CREF by the higher education institutions.

STATISTICAL AND ECONOMIC DATA

The Statistical Data are presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic Data are presented to allow a broader understanding of the economic and social environment in which State government operates.

TABLE I

STATE OF TENNESSEE
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

SOURCES	FOR THE YEAR ENDED JUNE 30									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
TAXES	$ 1,729,897	$ 1,800,431	$ 1,959,263	$ 2,047,603	$ 2,295,044	$ 2,776,915	$ 2,990,732	$ 3,269,689	$ 3,513,827	$ 3,715,112
LICENSES, FINES, FEES AND PERMITS	38,260	40,359	45,283	47,601	60,320	64,370	61,935	71,633	78,715	87,268
INTEREST ON INVESTMENTS	72,354	60,975	71,243	62,981	56,567	77,935	79,664	72,706	74,367	74,535
FEDERAL	1,104,412	1,174,990	1,039,894	1,062,387	1,308,304	1,372,825	1,584,056	1,623,824	1,746,823	1,888,096
DEPARTMENTAL SERVICES	168,282	179,939	194,046	201,550	215,753	245,246	271,027	294,701	332,371	351,895
OTHER	10,083	7,817	13,234	10,148	9,368	10,273	12,858	16,825	34,011	40,885
TOTAL REVENUES - ALL GOVERNMENTAL FUND TYPES	$ 3,123,288	$ 3,264,511	$ 3,322,963	$ 3,432,270	$ 3,945,356	$ 4,547,564	$ 5,000,272	$ 5,349,378	$ 5,780,114	$ 6,157,791

TABLE II

STATE OF TENNESSEE
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

FUNCTION	FOR THE YEAR ENDED JUNE 30									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
GENERAL GOVERNMENT	$ 174,117	$ 179,184	$ 153,618	$ 134,967	$ 134,998	$ 161,615	$ 177,487	$ 190,744	$ 203,405	$ 216,909
EDUCATION	916,165	964,925	981,371	970,362	981,080	1,167,879	1,271,638	1,368,750	1,447,291	1,534,148
HEALTH AND SOCIAL SERVICES	959,620	1,028,512	1,035,710	1,105,524	1,295,742	1,380,586	1,647,763	1,824,290	2,040,323	2,259,404
LAW, JUSTICE AND PUBLIC SAFETY	145,516	162,715	176,964	193,465	212,925	256,243	300,349	356,893	391,384	423,754
RECREATION AND RESOURCES DEVELOPMENT	64,538	68,366	71,031	77,842	112,285	136,274	144,204	149,999	151,234	159,602
REGULATION OF BUSINESS AND PROFESSIONS	13,808	14,245	15,330	16,643	13,566	15,920	20,127	22,362	23,097	24,181
TRANSPORTATION	479,599	447,850	429,587	427,695	544,367	606,783	654,294	648,298	689,265	728,884
DEBT SERVICE	78,104	80,774	85,487	91,596	87,640	83,440	78,929	100,191	104,182	98,097
CAPITAL OUTLAY	58,554	52,954	41,280	25,405	31,537	41,211	59,168	72,741	77,103	134,997
TOTAL EXPENDITURES - ALL GOVERNMENTAL FUND TYPES	$ 2,890,021	$ 2,999,525	$ 2,990,378	$ 3,043,499	$ 3,414,140	$ 3,849,951	$ 4,353,959	$ 4,734,268	$ 5,127,284	$ 5,579,976

TABLE III

STATE OF TENNESSEE
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

TAX REVENUES	FOR THE YEAR ENDED JUNE 30									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
SALES AND USE	$ 924,007	$ 981,106	$ 1,050,605	$ 1,106,186	$ 1,277,101	$ 1,657,724	$ 1,771,907	$ 1,893,948	$ 2,035,207	$ 2,126,025
GASOLINE	94,167	90,511	115,758	115,398	115,270	112,792	143,714	222,774	223,049	251,703
MOTOR FUEL	19,646	20,516	30,923	31,869	35,499	36,794	38,940	50,175	59,677	61,736
PETROLEUM PRODUCTS	20,062	18,693	17,838	18,244	19,688	19,831	21,352	21,583	23,199	23,266
MOTOR VEHCILE REGISTRATION	90,761	89,785	105,635	104,607	111,892	117,897	123,957	125,897	139,834	144,422
INCOME	21,403	24,613	30,345	35,521	37,288	42,240	46,057	44,992	51,769	61,919
PRIVILEGE	28,473	28,291	26,445	29,072	37,855	41,433	49,418	59,907	48,378	51,014
GROSS RECEIPTS	77,051	89,032	99,242	105,787	110,740	112,457	111,269	114,964	117,588	137,014
ALCOHOLIC BEVERAGE	23,217	23,249	23,972	24,106	43,490	43,976	43,765	44,261	44,614	44,319
FRANCHISE	43,938	45,705	49,511	56,741	69,483	114,722	143,624	151,213		174,735
EXCISE	198,222	193,365	206,535	202,558	229,892	257,383	261,690			
INHERITANCE AND ESTATE	28,307	26,674	28,639	36,208	36,426	32,939	28,812			
TOBACCO	73,819	77,058	78,442	78,338	76,874	80,135	80,444			
INSURANCE COMPANIES PREMIUM	60,006	62,143	63,927	67,345	71,592	85,738	103,402	120,035	116,649	119,363
OTHER	26,818	29,690	31,446	35,623	21,954	20,854	22,381	21,102	38,186	43,670
TOTAL TAX REVENUES - ALL GOVERNMENTAL FUND TYPES	$ 1,729,897	$ 1,800,431	$ 1,959,263	$ 2,047,603	$ 2,295,044	$ 2,776,915	$ 2,990,732	$ 3,269,689	$ 3,513,827	$ 3,715,112

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1989

Presented below is a brief description of the state's principal tax sources as shown in the preceding table. Since portions of some of these taxes are ultimately distributed to local governments, the preceding table reflects only those tax collections retained for state purposes.

SALES AND USE TAX - The retail sales and use tax, imposed in 1947, is the state's leading source of revenue. The current rate of 5.5% was made permanent July 1, 1985. The tax is applied to the sale, use, consumption, distribution, lease or rental of tangible personal property and, effective June 1, 1985, was extended to include most admission and amusement charges. Certain services including charges for transient accommodations, storage and parking, and telephone service for regular subscribers are also subject to sales tax. Utilities and anti-pollution equipment are taxed at rates ranging from 1% to 1.5%. Political subdivisions, governmental agencies, charitable and religious groups, non-profit organizations and certain items of tangible personal property including drugs are exempt.

GASOLINE TAX - The gasoline tax was first enacted in 1923. The tax increased from 16 cents to 19 cents a gallon on April 1, 1989. It will increase from 19 cents to 20 cents a gallon on July 1, 1989. This tax is charged on each gallon of gasoline or distillate refined, manufactured, sold, stored or distributed in Tennessee, as well as gasoline or distillate imported into the state. Refunds are granted on gasoline used for agricultural purposes, while political subdivisions and governmental agencies are exempt.

MOTOR FUEL TAX - The motor fuel tax was enacted in 1941. The tax was imposed at the rate of 14 cents per gallon on the sale of diesel fuel until June 1, 1987, when the rate became 16 cents April 1, 1989 will go up to 17 cents April 1, 1990 a gallon. Effective July 1, 1984, a tax was levied on motor vehicles powered by liquified gas at rates ranging from $70 for passenger cars to $114 for the largest trucks. Owners of commercial vehicles may be charged additional tax based on number of miles driven in Tennessee.

SPECIAL PETROLEUM PRODUCTS TAX - The special Petroleum Products Tax (formerly Gasoline Inspection Fee) was first enacted in 1899 for the purpose of assuring that gasoline and oil sold in the state met certain minimum standards. Currently, the rate is 1 cent per gallon on volatile substances having certain gravity level which are produced from petroleum, natural gas, oil shales or coal.

MOTOR VEHICLE REGISTRATION FEES - Since 1905 a fee has been charged for the registration of motor vehicles. Vehicles for personal use are charged $20.50. The fee for motorcycles is $9.75. Motor freight vehicles are charged fees ranging from $39.25 to $1,301.75.

INCOME TAX - Although Tennessee does not levy a general personal income tax, income derived from dividends and interest on stocks and bonds has been subject to tax since 1929. The tax rate is 6% on dividends from stocks and interest on bonds subject to an exemption of $1,250 for individuals and $2,500 for joint tax returns. Blind persons, pension trusts, profit-sharing trusts and qualifying low income persons 65 years of age or older are exempt from the tax.

PRIVILEGE TAX - The first state privilege tax in Tennessee was levied in 1799. During the ensuing 150 years, 132 business activities were made subject to the tax. Virtually all of these business-related privilege taxes were abolished in 1971 and re-enacted as part of other taxes. Currently, the privilege tax base is provided from litigation taxes, realty transfer, mortgage taxes, and marriage license fees.

GROSS RECEIPTS TAXES - There have been numerous additions, deletions and alterations in the group of taxable privileges comprising the gross receipts tax since it was first imposed in 1937. Currently, the tax covers bottlers, mixing bars, utilities, firearms, and vending machines. TVA payments "in lieu of taxes" based on power sales in Tennessee make up over 75% of collections.

ALCOHOLIC BEVERAGE TAX - The alcoholic beverage tax was enacted in 1939, authorizing the sale of alcoholic beverages in counties and municipalities in Tennessee if approved by local referendum. It provided for a system of state licensing fees and established a gallonage tax on wines and liquors sold in the state. Currently, the tax is levied at the rate of $4.00 per gallon on distilled spirits and $1.10 per gallon on wines, with additional fees for regulatory purposes and for the issuance of licenses and permits.

FRANCHISE TAX - The franchise tax, first collected in 1937, imposes an annual tax for the privilege of engaging in corporate form in the state. The tax is levied at the rate of $2.50 per $1,000 of corporate stock, surplus and undivided profits of domestic and foreign corporations operating in Tennessee.

EXCISE TAX - The excise tax originated in 1923 and has always been a major revenue source. The tax is presently applied at the rate of 6% annual net earnings from business done in Tennessee by all corporations, co-operatives conducted for profit, joint stock associations, business trusts, state banks, national banks and savings and loan associations. Formulas are used for determining the appropriate tax for corporations doing business in Tennessee as well as other states.

INHERITANCE, ESTATE AND GIFT TAXES - The inheritance tax was first enacted in 1891. Originally, the tax was applicable only to property going to collateral heirs, but was extended to direct heirs in 1909. The rate and base are divided into two different classes and apply to all property, real and personal, with certain exemptions applicable to each class. During the 1978 and 1983 sessions of the General Assembly, extensive changes were made in the inheritance, estate and gift tax statutes (Chapter 731, Public Acts, 1978 and Chapter 237, Public Acts, 1983). These changes have resulted in delays and decreases in collections.

TOBACCO TAXES - Tobacco taxes were first levied in 1925. The present tax equates to 13 cents per pack of 20 cigarettes and 6% of the wholesale cost for all other tobacco products.

COIN-OPERATED AMUSEMENT TAX - This tax, first enacted in 1983, is now applied to any coin or token-operated machine which contains a free play feature. The annual tax is $350 per device, which may be prorated for machines placed in operation after October in any year.

INSURANCE COMPANY PREMIUM TAX - This tax, first enacted in 1945, is applied to gross premiums paid by or for policyholders residing in this state or on property located in the state. The rate is 1.75% for domestic life insurance companies, 2% for foreign life insurance companies and 2.5% for property and casualty insurance companies.

TABLE IV

STATE OF TENNESSEE
RATIO OF NET GENERAL LONG-DEBT TO
ASSESSED VALUE AND NET DEBT PER CAPITA
FOR THE LAST TEN YEARS

(Expressed in Thousands except Ratio and Per Captia Data)

FOR THE YEAR ENDED JUNE 30	POPULATION	ASSESSED VALUE	GENERAL LONG-TERM DEBT TOTAL (NOTE)	LESS DEBT SERVICE FUND	NET	NET GENERAL LONG-TERM DEBT RATIO TO ASSESSED VALUE	PER CAPITA
1980	4,603	$ 16,647,800	$ 603,020	$ 2,821	$ 600,199	3.61%	130.39
1981	4,639	17,350,600	590,195	2,897	587,298	3.38%	126.60
1982	4,666	18,642,000	539,070	2,436	536,634	2.88%	115.01
1983	4,690	21,875,000	583,445	2,143	581,302	2.66%	123.94
1984	4,728	25,239,000	530,820	6,574	524,246	2.08%	110.88
1985	4,766	26,453,000	480,695	3,753	476,942	1.80%	100.07
1986	4,800	28,910,000	626,570	1,635	624,935	2.16%	130.19
1987	4,855	31,501,000	679,720	1,458	678,262	2.15%	139.70
1988	4,911	34,499,000	615,603	2,390	613,213	1.78%	124.87
1989	4,968(EST.)	37,776,000	554,236	4,399	549,837	1.46%	110.68

NOTE: Total General Long-term debt does not include State Loan Program General Obligation Notes and Bonds as follows:

YEAR	NOTES	BONDS
1980	$ 44,000	$ 48,330
1981	49,490	79,995
1982		78,270
1983		76,205
1984		73,930
1985		71,540
1986		69,025
1987		66,370
1988		63,565
1989		60,590

These obligations are reported as debt of that enterprise in the accompanying financial statements.

TABLE V

STATE OF TENNESSEE
COMPUTATION OF LEGAL DEBT SERVICE MARGIN
JUNE 30, 1989

(Expressed in Thousands)

LEGAL DEBT SERVICE LIMIT (1989 PLEDGED REVENUES OF $404,146/150%)	$ 269,431
LESS - 1989 DEBT SERVICE REQUIRED ON ALL GENERAL LONG-TERM DEBT, INCLUDING STATE LOAN PROGRAM FUND GENERAL OBLIGATION BONDS	104,864
LEGAL DEBT SERVICE MARGIN	$ 164,567

		COLLECTIONS FOR FISCAL YEAR 1989			PLEDGED	
	PORTION PLEDGED	ALL GOVERNMENTAL FUND TYPES	LOCAL GOVERNMENT FUND	TOTAL	PER CENT	AMOUNT
CALCULATION OF 1989 PLEDGED REVENUES AS ABOVE:						
GASOLINE TAX	29.3%	$ 251,703	$ 164,306	$ 416,009	29.3%	$ 121,907
PETROLEUM PRODUCTS FEE	ALL	23,266	12,017	35,283	100.0%	35,283
MOTOR VEHICLE REGISTRATION FEE	ONE-HALF	144,442		144,442	50.0%	72,221
FRANCHISE TAX	ALL	174,735		174,735	100.0%	174,735
TOTALS		$ 594,146	$ 176,323	$ 770,469		$ 404,146

NOTE: Pledged revenues for the last five years are shown below:

FISCAL YEAR	PLEDGED REVENUES	PERCENT INCREASE (DECREASE)
1985	$ 314,286	17.2%
1986	352,138	12.0
1987	366,414	4.1
1988	364,343	(0.6)
1989	404,146	10.9

TABLE VI

STATE OF TENNESSEE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
LONG-TERM DEBT TO TOTAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except for Ratio Data)

FOR THE YEAR ENDED JUNE 30	DEBT SERVICE	TOTAL EXPENDITURES	RATIO
1980	$ 78,104	$ 2,890,021	2.70%
1981	80,774	2,999,525	2.69
1982	85,487	2,990,378	2.86
1983	91,596	3,043,499	3.01
1984	87,640	3,414,140	2.57
1985	83,440	3,849,951	2.17
1986	78,929	4,353,959	1.81
1987	100,191	4,734,268	2.12
1988	104,182	5,127,284	2.03
1989	98,097	5,579,976	1.76

TABLE VII

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
TENNESSEE HOUSING DEVELOPMENT AGENCY FUND
FOR THE LAST TEN YEARS

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	DEDICATED REVENUES	RELATED EXPENSES	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS	COVERAGE (NOTE)
1980	$ 32,289	$ 1,123	$ 31,166	$ 26,548	1.17
1981	42,335	1,478	40,857	38,609	1.06
1982	45,141	1,600	43,541	44,424	0.98
1983	63,336	1,805	61,531	65,174	0.94
1984	63,216	1,995	61,221	65,451	0.94
1985	80,733	2,385	78,348	83,714	0.94
1986	107,079	2,938	104,141	105,117	0.99
1987	103,886	2,818	101,068	102,362	0.99
1988	109,884	2,791	107,093	111,012	0.96
1989	130,191	3,637	126,554	127,995	0.99

NOTE: Under THDA's series bond resolutions, scheduled amounts of anticipated mortgage loan prepayments are used each year to pay a portion of maturing bond principal. Accordingly, in addition to the net revenue available for debt service shown above, THDA applied some $8.7 million in prepayments against fiscal year 1989 debt service requirements.

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands except Coverage)

		DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30	FEES AND CHARGES	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER THAN AUTHORITY	TOTAL	COVERAGE
1980	$ 193,954	$ 13,013	$ 2,038	$ 15,051	12.9
1981	229,638	13,014	1,451	14,465	15.9
1982	262,407	13,009	1,435	14,444	18.2
1983	290,454	12,526	1,349	13,875	20.9
1984	291,675	19,766	1,333	21,099	13.8
1985	352,999	22,126	1,359	23,485	15.0
1986	378,127	25,691	714	26,405	14.3
1987	421,643	27,366	715	28,081	15.0
1988	475,980	27,185	541	27,726	17.2
1989	519,214	27,275	544	27,819	18.7

STATE OF TENNESSEE
ECONOMIC CHARACTERISTICS*

TENNESSEE'S ECONOMIC GROWTH

The economic future for Tennessee remains bright. The decisions by Saturn and Nissan to locate their production facilities in Tennessee are very visible signs that the state is a desirable place to do business. Characteristics of the state which have been identified as important reasons why firms have chosen Tennessee sites include work-force related factors such as worker productivity, right-to-work laws and low unionization, as well as access to markets and pro-business attitude of the state. Other factors include relatively inexpensive energy, plentiful natural resources and sun-belt location. Tennessee's gross state product as a percentage of gross national product increased from 1.63% in 1980 to 1.74% in 1989, and personal income was 1.63% in the same years.

(Expressed in Millions)

YEAR	GROSS STATE PRODUCT	PERSONAL INCOME	DISPOSABLE PERSONAL INCOME
1980	$ 48,384	$ 36,958	$ 32,162
1981	54,212	40,872	35,457
1982	55,612	42,970	37,275
1983	60,309	45,745	39,703
1984	67,152	50,362	44,164
1985	71,507	53,866	46,861
1986	76,260	57,609	49,925
1987	82,387	61,956	53,472
1988	83,150	66,150	57,255
1989	88,616(EST.)	70,811	61,257

TENNESSEE GROSS STATE PRODUCT BY SECTOR

(Expressed in Millions)

	1979	1984	1989	SECTOR AS PERCENTAGE OF 1989 TOTAL
MANUFACTURING	$11,559	$16,949	$22,144	25.0%
CONSTRUCTION	2,094	2,578	3,626	4.1%
MINING	346	362	356	0.4%
TRADE	7,939	11,418	15,838	17.9%
SERVICES	5,080	9,119	14,017	15.8%
FINANCE, INSURANCE AND REAL ESTATE	5,056	8,515	13,652	15.4%
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	3,053	4,847	6,578	7.4%
FEDERAL GOVERNMENT	2,506	3,153	3,685	4.1%
STATE & LOCAL GOVERNMENT	3,262	4,524	7,240	8.2%
AGRICULTURE	1,341	1,742	1,479	1.7%
TOTAL GROSS STATE PRODUCT	$42,236	$63,207	$88,615	100.0%

TENNESSEE AVERAGE ANNUAL WAGE BY SECTOR

	1979	1984	1989	PERCENTAGE CHANGE (From 1979 to 1989)
MANUFACTURING	$12,738	$18,150	$23,057	81.0%
CONSTRUCTION	12,667	17,494	20,992	65.7%
MINING	15,649	20,985	27,954	78.6%
TRADE	9,670	12,959	16,165	67.2%
SERVICES	10,367	15,595	19,024	83.5%
FINANCE, INSURANCE AND REAL ESTATE	12,743	18,754	24,827	94.8%
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	17,120	23,548	28,856	68.6%
FEDERAL GOVERNMENT	18,574	26,323	21,366	15.0%
STATE & LOCAL GOVERNMENT	10,803	14,941	19,792	83.2%
AGRICULTURE	3,939	7,253	6,939	76.2%
AVERAGE ALL SECTORS	$12,427	$17,600	$20,897	68.2%

*Except as otherwise noted, the source for all economic information presented is the Tennessee Econometric Model developed by the Center for Business and Economic research, College of Business Administration, The University of Tennessee, Knoxville.

MANUFACTURING

Manufacturing investment in Tennessee totaled $2.8 billion in 1988, marking the sixth consecutive billion dollar year for the state. The combined new plant and expansion projects announced are expected to create 18,700 new job opportunities. The tables which follow indicate the state's manufacturing gross product, employment and industrial expansion.

TENNESSEE MANUFACTURING GROSS PRODUCT

(Expressed in Millions)

	1979	1984	1989	PERCENTAGE CHANGE (FROM 1979 TO 1989)
DURABLES:				
FURNITURE & FIXTURES	$ 347	$ 538	$ 746	115.0%
FABRICATED METALS	771	1,365	1,899	146.3%
NONELECTRICAL MACHINERY	1,254	1,776	2,162	72.4%
ELECTRICAL MACHINERY	872	1,367	1,848	111.9%
TRANSPORTATION EQUIPMENT	565	1,615	1,919	239.6%
OTHER	1,688	2,166	3,047	80.5%
TOTAL DURABLES	5,497	8,827	11,621	111.4%
NONDURABLES:				
FOOD	1,047	1,609	2,220	112.0%
TEXTILES	383	538	556	45.2%
APPAREL	745	980	1,149	54.2%
PAPER	630	929	1,373	117.9%
PRINTING & PUBLISHING	424	736	1,102	159.9%
CHEMICALS	1,725	1,755	2,297	33.2%
RUBBER & PLASTICS	665	959	1,338	101.2%
OTHER	442	615	489	10.6%
TOTAL NONDURABLES	6,061	8,121	10,524	73.6%
TOTALS	$ 11,558	$ 16,948	$ 22,145	91.6%

TENNESSEE MANUFACTURING EMPLOYMENT

(Expressed in Thousands)

	1979	1984	1989	PERCENTAGE CHANGE (FROM 1979 TO 1989)
DURABLES:				
FURNITURE & FIXTURES	24.3	24.2	27.3	12.3%
FABRICATED METALS	35.1	39.3	40.8	16.2%
NONELECTRICAL MACHINERY	36.5	36.7	39.4	7.9%
ELECTRICAL MACHINERY	41.1	39.9	38.1	-7.3%
TRANSPORTATION EQUIPMENT	26.0	29.1	33.0	26.9%
OTHER	77.8	68.6	71.6	-8.0%
TOTAL DURABLES	240.8	237.8	250.2	3.9%
NONDURABLES:				
FOOD	39.5	37.2	39.9	1.0%
TEXTILES	27.3	25.6	21.9	-19.8%
APPAREL	68.3	68.6	62.1	-9.1%
PAPER	18.2	17.6	18.6	2.2%
PRINTING & PUBLISHING	26.6	30.4	34.5	29.7%
CHEMICALS	58.5	41.5	37.8	-35.4%
RUBBER & PLASTICS	23.4	22.8	25.7	9.8%
OTHER	22.2	15.7	11.0	-50.5%
TOTAL NONDURABLES	284.0	259.4	251.5	-11.4%
TOTALS	524.8	497.2	501.7	-4.4%

INDUSTRIAL GROWTH IN TENNESSEE
NEW PLANTS AND EXPANSIONS

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
NUMBER:										
NEW	90	80	70	73	118	109	118	123	140	132
EXPANSIONS	151	129	158	137	204	253	189	204	202	174
	241	209	228	210	322	362	307	327	342	306
INVESTMENT (In Thousands):										
NEW	$238,945	$922,894	$119,147	$173,405	$207,536	$329,403	$3,764,765	$360,031	$791,490	$517,912
EXPANSIONS	353,274	853,470	463,731	587,578	1,116,533	1,015,274	764,083	704,880	809,788	2,262,901
	$592,219	$1,776,364	$582,878	$760,983	$1,324,069	$1,344,677	$4,528,848	$1,064,911	$1,601,278	$2,780,813
JOB OPPORTUNITIES:										
NEW	5,942	7,294	3,679	5,336	8,154	7,065	14,709	8,361	13,644	10,634
EXPANSIONS	8,922	5,460	9,253	5,602	11,897	15,065	11,041	10,697	11,093	8,111
	14,864	12,754	12,932	10,938	20,051	22,130	25,750	19,058	24,737	18,745

FIFTY LARGEST INDUSTRIAL EMPLOYERS

(Ranked by Number of Employees)

COMPANY	NUMBER OF PLANTS	NUMBER OF EMPLOYEES	COMPANY	NUMBER OF PLANTS	NUMBER OF EMPLOYEES
1. EASTMAN KODAK COMPANY	2	13,100	26. MAREMONT CORPORATION	3	2,081
2. MARTIN MARIETTA	3	11,800	27. BROWN GROUP INC	5	2,055
3. TEXTRON INC.	3	7,100	28. WASHINGTON MANU. CO.	6	1,995
4. MURRAY OHIO MANUFACTURING	2	6,000	29. FORD MOTOR COMPANY	1	1,953
5. PHILLIPS INDUSTRIES	6	5,287	30. MCKEE BAKING COMPANY	1	1,950
6. WICKES COMPANIES, INC.	5	4,924	31. E. W. SCRIPPS COMPANY	2	1,953
7. E. I. DUPONT DE NEMOURS & CO.	4	4,402	32. TRIANGLE PACIFIC CORP.	4	1,857
8. GENERAL ELECTRIC COMPANY	8	4,326	33. ALLEGHENY INTERNATIONAL	5	1,838
9. ARCATA GRAPHICS	2	4,069	34. BLUE BELL INC.	6	1,736
10. ALUMINUM COMPANY OF AMERIC	1	3,700	35. SIEBE, PLC.	3	1,728
11. LEVI STRAUSS & COMPANY	6	3,120	36. BRUCE HARDWOOD FLOOR	3	1,642
12. GOODYEAR TIRE & RUBBER	1	3,100	37. JIM WALTER CORPORATION	3	1,614
13. NISSAN MOTOR COMPANY LTD	1	3,000	38. COMBUSTION ENGINEERING	3	1,605
14. UNITED TECHNOLOGIES	3	2,703	39. SPERRY CORPORATION	1	1,595
15. GULF & WESTERN INDUSTRIES	12	2,667	40. BOWATER CORPORATION	2	1,580
16. BASF FIBERS	1	2,650	41. KRAFT, INC.	4	1,520
17. T R W, INC.	6	2,586	42. KELLWOOD COMPANY	4	1,516
18. A F G INDUSTRIES	3	2,435	43. THE TRANE COMPANY	1	1,500
19. FARLEY INDUSTRIES	4	2,375	44. TELEDYNE, INC.	4	1,486
20. GENESCO INC.	9	2,368	45. ELECTROLUX	3	1,401
21. MAYTAG COMPANY	2	2,350	46. STATE INDUSTRIES	1	1,400
22. GANNETT COMPANY, INC.	3	2,307	47. UNITED METHODIST PUB.	1	1,384
23. HENRY I SIEGEL COMPANY	7	2,235	48. COCA-COLA BOTTLING CO.	5	1,383
24. SCHERING-PLOUGH, INC.	2	2,220	49. TEXAS BOOT COMPANY	3	1,382
25. ARVIN INDUSTRIES	3	2,081	50. BEATRICE INC.	3	1,325

SOURCE: Tennessee Department of Economic and Community Development.

AGRICULTURE

Important export commodities such as soybeans, tobacco, feed grains, cotton, and greenhouse and nursery products are among the top income earners for Tennessee farmers.

CASH RECEIPTS
(Expressed in Millions)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CROPS	$996.7	$1,080.6	$1,051.0	$896.9	$1,056.2	$1,032.5	$813.3	$825.9	$783.5	$836.2
MEAT ANIMALS	509.2	427.1	481.6	503.7	647.3	602.6	623.5	709.0	637.2	700.8
DAIRY PRODUCTS	287.3	308.5	304.6	295.3	275.9	281.9	274.6	273.1	280.9	296.8
POULTRY AND EGGS	108.4	116.9	112.0	107.5	130.6	115.7	142.9	124.8	118.8	122.0
TOTALS	$1,901.6	$1,933.1	$1,949.2	$1,803.4	$2,110.0	$2,032.7	$1,854.3	$1,932.8	$1,820.4	$1,955.8

POPULATION AND EMPLOYMENT TREND

The state's population has increased close to 1% per year with a shift in recent years to a net in-migration condition from one of a net out-migration.

(Expressed in Thousands except Unemployment Rates)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
POPULATION	4,603	4,639	4,666	4,690	4,728	4,766	4,800	4,855	4,911	4,968
LABOR FORCE	2,080	2,116	2,129	2,180	2,220	2,253	2,290	2,335	2,354	2,365
TOTAL EMPLOYMENT	1,928	1,924	1,877	1,930	2,030	2,073	2,106	2,181	2,217	2,234
UNEMPLOYMENT	152	192	252	250	190	180	184	154	137	131
TENN UNEMPLOYMENT RATE	7.3	9.1	11.8	11.5	8.6	8.0	8.0	6.6	5.8	5.5
U.S. UNEMPLOYMENT RATE	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.4	5.5

BANK DEPOSITS, SALES AND EFFECTIVE BUYING INCOME

(Expressed in Millions)

(Expressed in Thousands)

YEAR	BANK DEPOSITS	SALES	EFFECTIVE BUYING INCOME MEDIAN HOUSEHOLD
1979	$ 18,645	$ 21,194	$ 14.8
1980	19,875	21,099	15.8
1981	21,251	23,237	17.0
1982	23,012	24,231	19.0
1983	25,070	24,817	19.8
1984	27,442	28,914	21.3
1985	29,334	31,817	19.8
1986	32,271	34,309	20.4
1987	34,054	36,386	21.5
1988	36,041(EST.)	38,282	20.9

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES
VALUATION OF BUILDING PERMITS ISSUED

(Expressed in Thousands)

YEAR	VALUATION	YEAR	VALUATION
1979	$ 728,600	1984	$ 1,406,633
1980	610,800	1985	1,632,906
1981	392,000	1986	1,808,228
1982	701,100	1987	1,851,013
1983	1,202,700	1988	1,660,147

SOURCE: The Tennessee Econometric Model, Tennessee Department of Employment Security labor Summary, Sales and Marketing Management, and U.S. Bureau of the Census Construction Reports.

POPULATION, TAX BASE AND PERSONAL INCOME

(Expressed in Thousands)

YEAR	POPULATION	ASSESSED VALUE	APPRAISED/ ESTIMATED CURRENT VALUE	PERSONAL INCOME	PER CAPITA INCOME
1980	4,603	$16,647,800	$ 72,767,700	$ 36,958,000	$ 8.0
1981	4,639	17,350,600	87,795,800	40,872,000	8.8
1982	4,666	18,642,000	90,992,300	42,970,000	9.2
1983	4,690	21,875,000	93,915,000	45,745,000	9.8
1984	4,728	25,239,000	97,016,000	50,362,000	10.7
1985	4,766	26,453,000	107,331,000	53,866,000	11.3
1986	4,800	28,698,000	111,201,000	57,609,000	12.0
1987	4,855	31,123,000	125,102,000	61,956,000	12.8
1988	4,911	36,499,000(EST)	135,200,000(EST)	66,154,000	13.5
1989	4,968	36,782,000(EST)	141,100,000(EST)	70,815,000	14.3

PUBLIC SCHOOL ENROLLMENT GRADES K-12

ACADEMIC YEAR	GRADES K-3	GRADES 4-6	GRADES 7-9	GRADES 10-12	TOTAL K-12
1979-80	274,146	205,877	214,202	189,448	883,673
1980-81	268,980	214,658	210,485	192,554	886,682
1981-82	257,825	212,047	205,791	183,919	859,582
1982-83	255,674	203,806	208,712	177,527	845,719
1983-84	255,855	196,060	213,319	173,054	837,288
1984-85	258,214	189,030	212,953	170,693	830,890
1985-86	261,165	184,545	207,631	173,707	827,048
1986-87	267,044	185,886	202,599	180,040	835,569
1987-88	273,353	189,606	196,910	181,152	841,020
1988-89	299,505	212,160	214,323	194,128	920,116

	1979	1980	1981	1983	1983	1984	1985	1986	1987	1988
UNIVERSITIES:										
AUSTIN PEAY STATE	4,112	4,079	4,107	4,091	4,389	4,306	4,067	4,015	4,160	3,963
EAST TENNESSEE STATE	8,348	7,697	7,861	7,907	8,060	7,963	7,986	7,984	8,213	8,728
MEMPHIS STATE	15,495	15,196	15,007	15,524	16,483	15,860	15,348	14,838	15,144	15,285
MIDDLE TENNESSEE STATE	9,467	9,788	9,593	9,845	9,969	9,794	9,854	9,915	10,398	11,388
TENNESSEE STATE	6,473	6,586	6,091	6,128	6,134	5,796	5,232	5,134	5,426	5,815
TENNESSEE TECHNOLOGICAL	6,905	7,403	7,369	7,458	7,340	7,068	7,136	6,902	7,061	7,371
UNIVERSITY OF TENNESSEE:										
CHATTANOOGA	5,356	5,739	5,709	5,804	6,058	5,764	5,861	5,727	5,557	5,769
KNOXVILLLE	25,725	25,662	24,402	22,991	22,721	21,780	21,077	21,449	21,879	20,742
MARTIN	4,828	5,005	5,153	5,129	5,115	4,857	4,572	4,531	4,473	4,283
TOTAL UNIVERSITIES	86,709	87,156	85,292	84,677	86,269	83,188	81,133	80,495	82,311	83,364
COMMUNITY COLLEGES:										
CHATTANOOGA STATE TECH	2,997	3,108	3,205	3,405	3,502	3,076	2,607	2,942	3,416	3,710
CLEVELAND STATE	1,806	2,113	1,856	2,039	2,034	1,791	1,895	1,586	1,707	1,798
COLUMBIA STATE	1,311	1,451	1,353	1,536	1,504	1,383	1,367	1,560	1,563	1,606
DYERSBERG STATE	671	684	884	1,039	1,058	958	918	1,001	962	976
JACKSON STATE	1,686	1,696	1,683	1,840	1,784	1,601	1,471	1,473	1,704	1,663
MOTLOW STATE	1,124	1,262	1,224	1,352	1,354	1,365	1,181	1,316	1,392	1,438
PELLISSIPPI	*	*	*	*	*	*	*	*	*	2,038
ROANE STATE	1,799	2,139	2,216	2,323	2,368	2,334	2,435	2,518	2,909	2,663
SHELBY STATE	3,260	3,443	2,997	3,184	3,297	2,855	2,416	2,484	2,282	2,588
VOLUNTEER STATE	1,857	2,078	2,038	2,048	1,973	1,855	1,680	1,853	2,034	2,110
WALTERS STATE	2,102	2,286	2,116	2,240	2,244	2,181	2,101	2,201	2,395	2,276
TOTAL COMMUNITY COLLEGES	18,613	20,250	19,572	21,006	21,118	19,399	18,071	18,934	20,364	22,866
TOTAL ALL INSTITUTIONS	105,322	107,406	104,864	105,683	107,387	102,587	99,204	99,429	102,675	106,230

*Effective July 1, 1988 Pellissippi became a State Community College.

Sources: The Tennessee Econometric Model, State Board of Equalization, Tennessee Department of Education and the Higher Education Commission.